

COPY

-Application

Coram CVS

Speciality

Infusion

Services,M

CN1406-018

CORAM ALTERNATE SITE SERVICES, INC.

CERTIFICATE OF NEED APPLICATION

TO ESTABLISH A

LIMITED SERVICE HOME HEALTH AGENCY

WEST TENNESSEE

JUNE 2014

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SECTION A

APPLICANT PROFILE

CORAM ALTERNATE SITE SERVICES, INC.

JUN 14 02:26

1. **Name of Facility, Agency, or Institution**

Coram Alternate Site Services, Inc. d/b/a Coram CVS/specialty Infusion Services

Name

1680 Century Center Parkway, Suite 12

Street or Route

Memphis

City

TN

State

Shelby

County

38134

Zip Code

2. **Contact Person Available for Responses to Questions**

Alix Coulter Cross

Name

Attorney

Title

Harwell, Howard, Hyne, Gabbert and Manner

Company Name

alix.cross@h3gm.com

Email address

333 Commerce Street, Suite 1500

Street or Route

Nashville

City

TN

State

37201

Zip Code

Counsel

Association with Owner

615-251-1047

Phone Number

615-251-1059

Fax Number

3. **Owner of the Facility, Agency or Institution**

Coram Specialty Infusion Services, Inc.

Name

303-292-4973

Phone Number

555 17th Street, Suite 1500

Street or Route

Denver

County

Denver

City

CO

State

80202

Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

| |
|-------------------------------------|
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input checked="" type="checkbox"/> |
| <input type="checkbox"/> |

F. Government (State of TN or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

| |
|--------------------------|
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |
| <input type="checkbox"/> |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

| | | |
|-----------------|-------|----------|
| Not Applicable | | |
| Name | | |
| Street or Route | | County |
| City | State | Zip Code |

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. **Legal Interest in the Site of the Institution (Check One)**

| | | | |
|--|-------------------------------------|--------------------|--------------------------|
| A. Ownership | <input type="checkbox"/> | D. Option to Lease | <input type="checkbox"/> |
| B. Option to Purchase | <input type="checkbox"/> | E. Other (Specify) | <input type="checkbox"/> |
| C. Lease of <input type="text"/> Years | <input checked="" type="checkbox"/> | | |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

| | | | |
|--|--------------------------|---|-------------------------------------|
| A. Hospital (Specify) <input type="text"/> | <input type="checkbox"/> | I. Nursing Home | <input type="checkbox"/> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | <input type="checkbox"/> | J. Outpatient Diagnostic Center | <input type="checkbox"/> |
| C. ASTC, Single Specialty | <input type="checkbox"/> | K. Recuperation Center | <input type="checkbox"/> |
| D. Home Health Agency | <input type="checkbox"/> | L. Rehabilitation Facility | <input type="checkbox"/> |
| E. Hospice | <input type="checkbox"/> | M. Residential Hospice | <input type="checkbox"/> |
| F. Mental Health Hospital | <input type="checkbox"/> | N. Non-Residential Methadone Facility | <input type="checkbox"/> |
| G. Mental Health Residential Treatment Facility | <input type="checkbox"/> | O. Birthing Center | <input type="checkbox"/> |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | <input type="checkbox"/> | P. Other Outpatient Facility (Specify) <input type="text"/> | <input type="checkbox"/> |
| | | Q. Other (Specify) <input type="text"/> | <input checked="" type="checkbox"/> |

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

| | | | |
|--|-------------------------------------|---|--------------------------|
| A. New Institution | <input type="checkbox"/> | G. Change in Bed Complement | <input type="checkbox"/> |
| B. Replacement/Existing Facility | <input type="checkbox"/> | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | <input type="checkbox"/> |
| C. Modification/Existing Facility | <input type="checkbox"/> | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | <input type="checkbox"/> | H. Change of Location | <input type="checkbox"/> |
| (Specify) <input type="text"/> | <input checked="" type="checkbox"/> | I. Other (Specify) <input type="text"/> | <input type="checkbox"/> |
| E. Discontinuance of OB Services | <input type="checkbox"/> | | |
| F. Acquisition of Equipment | <input type="checkbox"/> | | |

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

| | <u>Current Beds Licensed</u> | <u>*CON</u> | <u>Staffed Beds</u> | <u>Beds Proposed</u> | <u>TOTAL Beds at Completion</u> |
|---|----------------------------------|----------------------|-------------------------|--------------------------|---|
| A. Medical | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| B. Surgical | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| C. Long-Term Care Hospital | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| D. Obstetrical | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| E. ICU/CCU | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| F. Neonatal | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| G. Pediatric | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| H. Adult Psychiatric | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| I. Geriatric Psychiatric | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| J. Child/Adolescent Psychiatric | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| K. Rehabilitation | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| L. Nursing Facility (non-Medicaid Certified) | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| M. Nursing Facility Level 1 (Medicaid only) | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| N. Nursing Facility Level 2 (Medicare only) | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| O. Nursing Facility Level 2 (dually certified Medicaid/Medicare) | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| P. ICF/MR | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| Q. Adult Chemical Dependency | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| R. Child and Adolescent Chemical Dependency | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| S. Swing Beds | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| T. Mental Health Residential Treatment | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| U. Residential Hospice | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| TOTAL | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

*CON-Beds approved but not yet in service

10. **Medicare Provider Number**

Certification Type

11. **Medicaid Provider Number**

Certification Type

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?** **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

SECTION A: APPLICANT PROFILE. ADDITIONAL RESPONSES

For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

The Applicant is a Delaware Corporation which is a wholly owned subsidiary of Coram Specialty Infusion Services, Inc. These entities ultimate parent is CVS Caremark Corporation. The Applicant's confirmation of corporate existence from the Tennessee Secretary of State is included in Attachment, Section A, Item 3.1. Its By Laws are included in Attachment, Section A, Item 3.2.

For Section A, Item 4, describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

A description of the Applicant and its Organizational Chart are included in Attachment, Section A, Item 4.1. The Applicant's ultimate parent's most recently filed 10-K (annual report) with the Securities and Exchange Commission is included in Attachment, Section A, Item 4.2. The Applicant owns a limited service home health agency in Middle Tennessee serving 38 Tennessee Counties. The license for this Agency is included in Attachment, Section A, Item 4.3. This is the only entity which the Applicant has a financial interest as defined by TCA §68-11-1602(7) in Tennessee.

For Section A, Item 5, for new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

Coram Alternate Site Services, Inc. is a self managed operation with its employed leadership operating the entity on a day to day basis, reporting to regional directors who ultimately report to the holding company's executive leadership and board. This question is not applicable to the Applicant.

For Section A, Item 6, for applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

The Applicant and its predecessor entities have occupied its existing 6,766 square feet of leased since 1992, more than 20 years, under a Lease Agreement with the landlord (and its predecessor entities). The current governing amendment to the Lease Agreement is the Fourth Amendment which is a five year term commencing June 2010 and terminating June 2015. The existing leased space is sufficiently sized to add the restricted home health services to its business lines and effectively operate the licensed pharmacy and home health services with common leadership and facilities. A copy of the Lease Agreement with all Four Amendments is included in Attachment, Section A, Item 6.1.

For Section A, Item 13, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract with.

Coram Alternate Site Services, Inc., and its affiliate Coram Specialty Infusion Services, Inc. have historically and will continue to contract with Tennessee Managed Care Organizations.

There are four TennCare MCOs within the state. TennCare Select and United Healthcare serve all three regions. BlueCare serves the East and West region; and Amerigroup serves the Middle Tennessee region. Currently the Applicant contracts with BlueCare/TennCare Select in Tennessee and contracts with Amerigroup on a national level. The existing contract covers the Applicant's infusion services. The Applicant does not intend to certify its limited service home health agency for Medicare and Medicaid (TennCare) services as it will not be a full service agency and therefore does not meet the Conditions of Participation for such certification.

In addition to TennCare MCOs, the Applicant contracts with a host of commercial managed care organizations that serve the region for its infusion products. These entities include, but are not limited to, the following: Aetna, Blue Cross Blue Shield of Tennessee, Carecentrix, Cigna, Corizon, Coventry, Cover Tennessee, GEHA, Multiplan, HealthSprings of Tennessee, Magellan TennCare, Prime Healthcare, Medicare, St Jude and TriCare. Nursing services to administer the infusion products will be added to these contracts. As necessary, additional MCOs will be added to the Applicant's contractual arrangements as its services expand.

SECTION B

PROJECT DESCRIPTION

CORAM ALTERNATE SITE SERVICES. INC.

SECTION B: PROJECT DESCRIPTION

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.***

The applicant is Coram Alternate Site Services, Inc., a Delaware corporation, which operates a licensed pharmacy at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 ("Coram" or "Applicant"). Its d/b/a is Coram CVS/specialty Infusion Services. It is both licensed by the State and accredited by The Joint Commission. These documents are included in Attachment, Section B, Project Description, Item I. This Coram branch provides home infusion products to residents throughout West Tennessee spanning from the Tennessee-Arkansas/Missouri state line on the west, Shelby County and Memphis to the southwest, the western Tennessee-Mississippi state line on the south, the western Tennessee-Kentucky state line on the north and the communities of Dover, Erin, Camden, Linden, Waynesboro along the east of this defined service area. In addition to serving Tennessee residents, this Coram branch also serves residents of the neighboring states of Arkansas and Mississippi. Through its Coram affiliate, Coram provides limited nursing services in Mississippi enabling the continuum for those West Tennessee branch pharmacy patients who reside in Mississippi.

While Coram serves this tri-state region, the focus of this CON application is to become a licensed limited service home health agency to meet the needs of Tennesseans. This 25-county West Tennessee proposed service area represents 86 percent of the Tennessee related home infusion services provided by Coram from its Memphis Branch. The balance of its Tennessee infusion therapy product patients is transferred to the other Tennessee branches; they will not be served by the Memphis branch home health agency under its proposed licensure. Relative to out of state patients, Coram's Memphis branch in aggregate does have meaningful counts of patients with 79 percent of its total patient complement living in Tennessee and 21 percent residing out of state.

The Applicant is a wholly owned subsidiary of Coram Specialty Infusion Services, Inc. which has as its ultimate parent CVS Caremark Corporation, also a Delaware corporation. Coram's ultimate parent is controlled by its executive officers and board of directors. CVS is a publicly traded stock corporation on the New York Stock Exchange (NYSE: CVS).

Through the submission of this CON application, the Applicant is seeking to establish a limited service home health agency. Specifically, with its approved home health agency license, the Applicant will only provide and administer home infusion products and related infusion nursing services. As part of its administration of home infusion therapies the Applicant intends to (a) take and record vital signs of the patients; (b) draw blood and other fluids for labs; (c) treat any issues associated with the access site or port; (d) change dressings associated with access points; (e) administer the therapy or

blood products; (f) line maintenance; and (g) infusion equipment repair and replacement.

These services will be provided by a registered nurse who is appropriately credentialed and is certified with a CRNI designation (certified registered nurse infusion). These services and credentials are a unique service and not typical of the average Medicare certified home health agency available to West Tennesseans.

For patients in need of home health services other than those associated with the Applicant's delivery and administration of home infusion products, the Applicant will make reasonable efforts to communicate that need with the patient's treating physician who can order such services through another licensed home health agency ("HHA"). The Applicant will not provide the service when another full service HHA stands ready willing and able to serve the patient. In other words, "If they can do it all, we will give it to them."

The administrator of the Coram home health agency will be the existing Regional Nurse Manager of the Memphis Branch, Ms. Nicole Kirby, as this service will be seamlessly added to the existing infrastructure of the Memphis Branch. Ms. Kirby meets the home health administrator criteria as prescribed by Rules of Tennessee Department of Health, Board of Licensing, Chapter 1200-08-26.

The defined service area of the proposed home health agency is 25 counties throughout West Tennessee which is the geographic area in which most of the Coram Memphis branch Tennessee infusion therapy product patients reside. Evaluation of these patients' records for the past three years identified the infusion product profile, age profile, payor profile, and referral sources including place of hospitalization of these patients. Documentation by Coram relative to the hardships for these patients to receive infusion nursing services in the home is also provided through anecdotes, patient stories and concurrent documentation by Coram staff. The delay in treatment and hardships identified contribute to extended lengths of stay in hospital, more costly hospital stays, increased costs to the healthcare system overall, and economic hardships on the patients and families.

The types of home health patients to be served by Coram will be restricted to infusion therapy patients. Types of infusion products to be administered include: antibiotics; total parenteral nutrition (TPN); hydration; cardiac products (such as inotropic therapies); intravenous immunoglobulin (IVIG) and other similar specialty drugs; pain management; antiemetic; and steroids. The types of patients served by Coram who have demonstrated needs for infusion nursing services in the home which are otherwise unavailable from other home health agencies include the following:

- Specialty Patients Requiring IVIG and Alpha 1 Therapies: IVIG, intravenous immunoglobulin, is given as a plasma protein replacement therapy for immune deficient patients who have decreased or abolished antibody production capabilities. Alpha-1 antitrypsin infusion therapy is given to treat the genetic

disorder alpha 1-antitrypsin deficiency that causes defective production of the alpha 1-antitrypsin (A1AT) leading to decreased A1AT in the blood and lungs.

- First Dose Administration: First Dose Administration is the first time a prescribed infusion therapy is provided to the patient.
- Low Intervention Patients: A Low Intervention Patient is a patient who is not homebound and does not require significant nursing intervention. Rather s/he comprises the group of patients who are taught to self administer thereby limiting the number of home skilled nursing visits.
- Three Dose Schedule Patients: Three Dose Schedule Patients are infusion therapy patients whose therapy is administered three times throughout the day (i.e., 6 am, 2 pm and 10 pm).
- Rural and Pediatric Patients: Rural Patients are infusion therapy patients who reside well outside the major cities in West Tennessee such as Memphis, Jackson and Covington where major medical centers and infusion providers are prevalent. Pediatric Patients are children who require infusion therapy products and services.

The Applicant is differentiated from other area home health agencies because it not only serves the above unique types of patients but also its nursing staff is specially trained in the art and skill of providing infusion therapies, most are certified, have over 1,600 hours of clinical infusion therapy experience, and have developed training and skills necessary to identify, collaborate and treat infusion therapy related effects, as well as communicate to patients on proper care of catheter sites, sterile treatment and monitoring of equipment and supplies.

Provided the patient qualifies for home health services (e.g., home bound), and after the first dose, and provided that the therapy is not of repeat or long duration, existing home health agencies such as Home Health Care of West Tennessee, Methodist, Homechoice and Baptist, have on occasion provided care to the Applicant's patients. In general, though, these arrangements do not work because: (a) many of these patients are not truly home bound so they do not qualify for reimbursement, and thus the HHAs do not want these patients; (b) because many of these therapies are of a long duration (3+ hours) it is not economically feasible for a full service agency to tie up an RN for that length of time; (c) because none of the full service agencies will do first dose patients; and (d) because none will any infuse blood or blood products in the home.

As discussed in this application, the Applicant will employ one (1) full time infusion nurse centrally located in Memphis, and will add per diem, or per visit, infusion nurses throughout the service area as needed to respond expeditiously to requests for service. Operationally, on occasion if the patient is local, the infusion nurse will take the infusion product from the compounding pharmacy to the patient's home for administration. More often, the infusion product will be compounded at the Applicant's Century Center Parkway facility and taken by secure courier to the patient's home where it is met by the infusion nurse for administration.

The Applicant's encounter with a patient begins when the patient's attending physician orders an infusion product or service and a referral is made to the Applicant (either by

the physician or discharge planners at area medical centers). The Applicant verifies insurance, the physician order, and the patient's demographic information and transmits that data to the pharmacy which compound's the patient's drug therapy. Three groups within the Applicant then coordinate the patient's care: the pharmacy with respect to the drug mix, the courier service for secure and timely delivery, and nursing for education and administration. The Applicant has implemented an electronic medical record system that securely communicates with the home office regarding nursing encounter notes for services rendered in the home and summaries of care are shared with the patient's physician.

The Applicant employs a Regional Nurse Manager who will be the supervisor for all the nursing functions associated with the Applicant, who will be available at all times during operating hours and shall participate in all activities relevant to the professional home health services provided, including the development of qualifications and assignment of personnel. In addition, the Applicant agency shall have a committee, consisting of the Regional Nurse Manager / agency executive director and the regional president who shall review at least annually past and present HHA services to determine the appropriateness and effectiveness of the care provided.

The uniqueness of Coram's patient population drives the need for Coram to be licensed as a home health agency. Approval of Coram's restricted home health license will enable a specific subset of the population to receive a higher standard of care in a lower cost environment, thereby contributing to the orderly development of healthcare while meeting a distinct patient and community need. The underlying bases and discussions relative to the lack of access and availability of skilled infusion nursing services for this patient population is provided in response to Section C, Need: Home Health Services, Question 1 along with supporting discussions in response to the other Home Health Services, Guidelines for Growth and General Criteria related to Need.

There is no construction associated with this project and there is no major medical equipment involved with this project. Its costs are limited to the administrative, legal and consulting costs associated with obtaining certificate of need approval and costs associated with licensure. The total cost for the project is \$98,000. Its funding can be assured based on the financial statements of the ultimate parent as provided in Attachment, Section A, Item 4.2, the letter of funding commitment included with this CON application as Attachment, Section C, Economic Feasibility, Item 2.1 and the local branch's financial statements provided as Attachment, Section A, Item 4.4. Demonstration of Economic Feasibility and how this project makes a Contribution to the Orderly Development of Healthcare is presented in response to those sections in this application.

Operationally, the Applicant will operate the home health service as part of its existing Memphis Branch operations. Adding the nursing service to its existing product line will enhance the operation while providing its patients with a service that is historically difficult to obtain resulting in prolonged hospital stays, ineffective or inefficient care and compromised quality of care. The financial projections which are a part of this Application demonstrate that this service is restricted in its scope, is financially feasible and generates a positive net income from operations.

SECTION B: PROJECT DESCRIPTION

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project. If the project involves none of the above, describe the development of the proposal.

Coram Alternate Site Services, Inc. occupies 6,766 square foot structure (Suite 12) at 1680 Century Center Parkway, Memphis, Tennessee 38134. This existing space houses its licensed pharmacy services and includes the pharmacy, distribution warehouse and administrative offices and support space. The addition of the restricted home health services will be under the existing leadership and operate from the existing leased space. Accordingly, there is no construction, renovation or modification required to implement this proposed project.

The square footage chart for the currently leased space which will house the home health service is included as Attachment, Section B, Project Description, Item II (A). Square footage was estimated from the existing floor plan as the space is currently occupied by the Applicant. There are no costs to establish the program as the home health services will be supported from the existing administrative spaces while the actual service will be provided in the client (patient) home.

SECTION B: PROJECT DESCRIPTION

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

This question addresses a change in bed capacity. This CON application is for a limited service home health agency. Therefore this question is not applicable to the project proposed herein.

SECTION B: PROJECT DESCRIPTION

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

- 1. Adult Psychiatric Services**
- 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
- 3. Birthing Center**
- 4. Burn Units**
- 5. Cardiac Catheterization Services**
- 6. Child and Adolescent Psychiatric Services**
- 7. Extracorporeal Lithotripsy**
- 8. Home Health Services**
- 9. Hospice Services**
- 10. Residential Hospice**
- 11. ICF/MR Services**
- 12. Long-term Care Services**
- 13. Magnetic Resonance Imaging (MRI)**
- 14. Mental Health Residential Treatment**
- 15. Neonatal Intensive Care Unit**
- 16. Non-Residential Methadone Treatment Centers**
- 17. Open Heart Surgery**
- 18. Positron Emission Tomography**
- 19. Radiation Therapy/Linear Accelerator**
- 20. Rehabilitation Services**
- 21. Swing Beds**

The Applicant has defined an unmet community need to provide home health services limited to infusion nursing and related services. The need for this service results from a lack of available or accessible home infusion nursing capability throughout West Tennessee. As a licensed pharmacy providing infusion therapy products to patients in their homes, Coram is intimately familiar with the patients throughout the region, and the hardships encountered by hospitals, physicians and patients/families in effecting a timely discharge from the hospital when hospitalization is no longer required, but the patient and family have not initiated their first infusion dose nor are they knowledgeable about the process, the infusion equipment, and the specific regimen which must be followed. Furthermore, as the pharmacy providing the infusion product to the patient, Coram's staff regularly meets with the patients and understands their skilled nursing needs, but is unable to assist in that regard as it does not have a home health license. The types of infusion patients which have compromised access and how Coram will meet their needs are discussed in response to Sections B and Section C on the following pages.

As noted in this application, this patient population's needs are not being met by the existing HHA providers, primarily because of reimbursement and conditions of participation issues. Existing resources cannot get reimbursed for patients who are not home bound; they cannot get adequately reimbursed for an infusion therapy that lasts several hours; and they only get reimbursed for one visit, even though three therapy regimens require 3 visits in the same day. Furthermore, the existing agencies will not treat patients on their first dose, and will not administer blood or blood products in the home.

By granting the Applicant's limited service HHA CON request, these patients can remain in their home, thereby avoiding the time and inconvenience of traveling to an outpatient hospital clinic, as well as avoiding exposure of their immune suppressed bodies to nosocomial infections. Finally, the care rendered by the Applicant's certified infusion nurses is vastly superior to that of the RN untrained in spotting infusion complications, educating patients on sterile site and site maintenance.

With the approval of this CON application, Coram will be able to serve a patient population in need in a more appropriate, cost effective and accessible manner, in their own home, thereby meeting a defined need while contributing to the orderly development of healthcare.

SECTION B: PROJECT DESCRIPTION

D. Describe the need to change location or replace an existing facility.

This question addresses the need to change location or replace an existing facility. This CON application is for a limited service home health agency. Therefore this question is not applicable to the project proposed herein.

SECTION B: PROJECT DESCRIPTION

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

- 1. For fixed-site major medical equipment (not replacing existing equipment):**
 - a. Describe the new equipment, including:**
 - 1. Total cost; (As defined by Agency Rule).**
 - 2. Expected useful life;**
 - 3. List of clinical applications to be provided; and**
 - 4. Documentation of FDA approval.**
 - b. Provide current and proposed schedules of operations.**
- 2. For mobile major medical equipment:**
 - a. List all sites that will be served;**
 - b. Provide current and/or proposed schedule of operations;**
 - c. Provide the lease or contract cost.**
 - d. Provide the fair market value of the equipment; and**
 - e. List the owner for the equipment.**
- 3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

This question addresses the acquisition of major medical equipment. This CON application is for a limited service home health agency. Therefore this question is not applicable to the project proposed herein.

SECTION B: PROJECT DESCRIPTION

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

- 1. Size of site (in acres);**
- 2. Location of structure on the site; and**
- 3. Location of the proposed construction.**
- 4. Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

The home health service will be located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee. This 6,766 square foot suite is subject to an ongoing lease agreement between Coram and its landlord. The restricted service home health will be operated from this existing leased space. No modification, construction or renovation is required; nor is the addition of any further people to the management team.

The Site Plan and location of the building on the site relative to the surrounding streets and neighborhoods is included as Attachment, Section B, Project Description, Item III (A).

SECTION B: PROJECT DESCRIPTION

- (B) 1. *Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.***

Accessibility to Coram's location is not applicable as the home health services will not be provided at Coram's Memphis Branch. The purpose of this CON application is to obtain approval to provide these limited nursing services in the patient's home which will be in one of the 25 counties for which CON approval is being sought. The Coram nurse who will provide the service will reach the patient's home by private vehicle.

SECTION B: PROJECT DESCRIPTION

- IV. *Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.***

The Floor Plan of the leased building suite is included as Attachment, Section B, Project Description, Item IV. This suite is subject to an existing lease between the Applicant and landlord. It will not be modified within the context of this proposal as the home health service will operate from the administrative space within the leased space by the Branch's leadership.

SECTION B: PROJECT DESCRIPTION

V. For a Home Health Agency or Hospice, identify:

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

This CON application is for a limited service home health agency whereby its license will be restricted to provide only infusion nursing and related skilled services. The Applicant intends to provide the following skilled services in conjunction with its home infusion therapy products: (a) take and record vital signs of the patients; (b) draw blood and other fluids for labs; (c) treat any issues associated with the access site or port; (d) change dressings associated with access points; (e) administer the therapy or blood products; (f) line maintenance; and (g) infusion equipment repair and replacement.

The Applicant has three pharmacy branches in the state, serving east (from Knoxville), middle (from Nashville) and west (from Memphis). Additionally, the Applicant established its first Tennessee limited service home health agency in May 2013. The CON approved and subsequently licensed program is based out of the Applicant's Nashville office at 2970 Sidco Drive, Nashville, Tennessee. It is licensed to serve 38 counties within Middle Tennessee.

The purpose of this CON application is to obtain CON approval to serve the 25 counties in the western third of the State of Tennessee, which is defined as all counties west of the Middle Tennessee service area approved via CN #1205-020A. The specific West Tennessee counties for which CON approval is sought via this CON application are presented in the following chart:

| | | | |
|----------|-----------|------------|---------|
| Benton | Gibson | Houston | Perry |
| Carroll | Hardeman | Lake | Shelby |
| Chester | Hardin | Lauderdale | Stewart |
| Crockett | Haywood | Madison | Tipton |
| Decatur | Henderson | McNairy | Wayne |
| Dyer | Henry | Obion | Weakley |
| Fayette | | | |

The geographic area represented by these counties spans from the Tennessee-Arkansas/Missouri state line on the west to the communities of Dover, Erin, Camden, Linden, Waynesboro along the east, Shelby County and Memphis to the southwest, the western Tennessee-Mississippi state line on the south, and the western Tennessee-Kentucky state line on the north.

A graphic depiction of this proposed West Tennessee Service Area and how it situates within the State and contiguous to the already licensed Middle Tennessee service area is presented below. The area represented in 'yellow' is the West Tennessee service area proposed via this CON application; the blue area are those counties which have been approved and licensed for a Coram limited service home health license via CN #1205-020A referenced above.



A full size map depicting the proposed West Tennessee counties relative to the State of Tennessee and the already licensed Coram Middle Tennessee service area (CN #1205-020A) is included in Attachment, Section B, Project Description, Item V.

SECTION C

GENERAL CRITERIA FOR CERTIFICATE OF NEED

CORAM ALTERNATE SITE SERVICES, INC.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2” x 11 ” white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

1. ***Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.***
 1. Improve the Health of Tennessee. Health in Tennessee will be improved through the approval of this project because current immune compromised individuals will not be required to leave their home and expose themselves to advantageous pathogens to receive their life-saving therapies. Patients will be trained in self care and administration in their own homes thereby enhancing the quality of their lives. Additionally, patients will be able to have their 'first dose' at home, not requiring an extended hospital stay, travel to an infusion center, or other factors negatively impacting the patient physically, emotionally or economically.
 2. Reasonable Access to Care for Every Citizen. By making these services more widely available in the home, access to even some of the most remote citizens is improved because they will no longer be required to travel to a major medical center for outpatient infusion therapy.
 3. Health care resource development that encourages competitive markets, economic efficiencies and continued development of the state's healthcare system. The proposed project makes these improvements in healthcare at minimal cost and disruption by narrowly focusing on a particular patient population whose needs are not being fully served, or who are being served but at great expense when in home care would be much safer and less costly.
 4. Confidence in the quality of healthcare is continually monitored and standards are adhered to by providers. The Applicant's nursing director will review a sufficient sample of patient charts for each caregiver to identify and eliminate poor quality of care, and to accentuate and reward outstanding quality of care and outcomes.
 5. State support for development, recruitment and retention of a sufficient and quality healthcare workforce. The Applicant intends to maintain one full time registered infusion nurse in Memphis and employ certified infusion nurses on a per diem or per visit basis thereby supporting a highly skilled and specialized nursing workforce throughout West Tennessee.
- a. ***Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.***

The criterion and standards in Certificate of Need Categories that are applicable to this project include: Home Health Services. Each of the Home Health Guidelines along with the associated responses is provided on the following pages.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

- 1. The need for home health agencies/services shall be determined on a county by county basis.***

Home Health Services are regulated under Tennessee Chapter 1200-08-26, Board of Licensing. Tennessee Code Annotated (T.C.A.) § 68-11-201 defines a Home Care Organization as one that provides home health services, home medical equipment services or hospice services to patients on an outpatient basis in either their regular or temporary place of residence. T.C.A. further defines home health services as a service provided an outpatient by an appropriately licensed health care professional or an appropriately qualified staff member of a licensed home care organization in accordance with orders recorded by a physician, and which includes one or more of the following:

- Skilled nursing care including part time or intermittent supervision
- Physical, occupational or speech therapy
- Medical social services
- Home health aide services
- Medical supplies and medical appliances

This CON application to become approved and licensed as a home health services agency is unique in that the Applicant is only seeking CON approval to enable it to provide one of the above services – skilled nursing care – and on a limited basis for a specific subset of patients in each county. Specifically, the skilled nursing care the Applicant is seeking licensure to provide is the administration of home infusion products and related infusion nursing services.

As part of its administration of home infusion therapies the Applicant intends to (a) take and record vital signs of the patients; (b) draw blood and other fluids for labs; (c) treat any issues associated with the access site or port; (d) change dressings associated with access points; (e) administer the therapy or blood products; (f) line maintenance; and (g) infusion equipment repair and replacement.

These services will be provided by a registered nurse who is appropriately credentialed and is certified with a CRNI designation (certified registered nurse infusion). **These services and credentials are a unique service and not typical of the average Medicare certified home health agency available to West Tennesseans.**

Need for this special service was developed by the Applicant based on its existing infusion therapy patient profiles including age, county of residence, infusion service requirement, payor, referral source, and identified hardship

experiences by patients, families and their referral sources (hospitals, physicians and others) to obtain infusion nursing service in the home on a timely basis. Depending on the urgency, day of week, and hour of the day, the Applicant makes commercially reasonable efforts to see patients within 2 to 3 hours of physician order which the Applicant believes to be a 'timely basis'. Unfortunately, the situation in West Tennessee is that these patients do not receive services on a timely basis, if the services become available at all. These healthcare delivery challenges are discussed further below in the Applicant's Service Area Study.

If a hospital inpatient prescribed infusion therapy services is unable to obtain home health assistance upon hospital discharge that individual remains in the hospital until s/he receives the first infusion and training sufficient that s/he could be discharged home to self-infuse thereafter. Subsequently, the Applicant would send the compounded infusion product from the Memphis pharmacy via secure medical courier. If the infusion therapy is inappropriate to administer in the home without nursing supervision, such as blood products or IVIG, the patient must travel to an outpatient clinic, such as an oncology clinic, physician practice, hospital or ambulatory infusion suite to obtain their medication. In addition, patients without nursing assistance who self-infuse in the home are ill equipped to handle even the most minor of complications, such as a blocked line, and must instead travel to the nearest hospital emergency room, sometimes by private transportation, but also by ambulance, to alleviate the problem. Similarly, patients who require a line change must also go to a hospital for such a procedure. **All of these situations, and their attendant expenses, would be substantially eliminated by the Applicant implementing its limited service home health agency.**

As an existing licensed pharmacy provider in Tennessee, the Applicant has a range of home infusion products it provides to its patients some of whom are homebound while others are not. Types of infusion products prescribed for its patients include, but are not limited to, the following:

- Antibiotics
- Total parenteral nutrition (TPN)
- Hydration
- Cardiac products (such as inotropic therapies)
- Intravenous immunoglobulin (IVIG) and other similar specialty drugs
- Pain management
- Antiemetic
- Steroids

During each of the past three years, the Applicant from its Memphis Branch has provided these types of infusion products to between 807 and 1,050 patients per year. Some of these patients received more than one infusion product (therapy). Because infusion therapy products are generally not one dose but can last over a period of time, shortest being days and longest being years, utilization is not only

measured by number of patients or number of therapies, but also by patient month, census and number of new patients by quarter. Patient months are the average number of months on infusion service for the total patient count. During the past three years, patient months have totaled between 1,500 and 1,900 months, or roughly two months on average per patient.

Following is the most recent 2013 activity, by quarter, for the Applicant's Memphis Branch:

| <i>Factor</i> | <i>Q1-2013</i> | <i>Q2-2013</i> | <i>Q3-2013</i> | <i>Q4-2013</i> | <i>CY 2013</i> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Patients | 205 | 207 | 203 | 192 | 807 |
| New Patients | 118 | 128 | 123 | 118 | 487 |
| Therapies | 240 | 238 | 231 | 209 | 918 |
| Patients with Multiple Therapies | 51 | 51 | 51 | 68 | 221 |
| Average Therapies per Patient | 1.17 | 1.15 | 1.14 | 1.09 | 1.14 |
| Patient Months | | | | | 1,532 |
| Average Patient Age | 48 | 50 | 54 | 48 | 50 |

On an ongoing basis, the Applicant has documented difficulties in meeting the infusion nursing needs of its infusion therapy patients. This skilled nursing access problem arises from several different associated factors, each of which is summarized in the following paragraphs substantiated by the Applicant's Service Area Study which follows.

- **Specialty Patients Requiring IVIG and Alpha 1 Therapies:** These immunotherapy patients receive comparatively long infusions, lasting up to 6 hours for each therapy, generally only one time per month. Because of the duration of the infusion time and only once per month requirement, existing home health agencies do not provide this service. Another challenge with these patients is some receive blood based products or plasma derivatives which result in higher rates of patient reaction. Existing home health agencies do not generally accept these types of patients due to this reaction rate and associated liabilities. Additionally, some of these patients are not homebound and therefore would not qualify for a traditional certified home health visit. Given Medicare home health reimbursement, even if the patient is homebound, local home health agencies are not staffed or favorably inclined to provide a nursing service which lasts most of the work day for one full time equivalent. As an approved home health agency, Coram will provide this service for its immunotherapy patients which is otherwise unavailable for this population.
- **First Dose Administration:** Engaging a local home health agency to provide the first dose in a lengthy ongoing infusion therapy session is difficult at best as most do not have a first dose policy. Initiating infusion therapy services on a new patient requires specialized certified infusion

nurses, who are not regularly employed by Medicare certified home health agencies. These patients can be acute and complex or not homebound or low intervention. By providing the first dose at home, Coram can train the patient to self administer thus avoiding ongoing home health services for some of its patients. For others, Coram will meet this need by providing the required nurse to initiate therapy, first dose administration, then either continuing to treat the patient or turning the patient to the local home health agency if ongoing nursing care is required and a local home health agency is available and qualified for the service. As an approved home health agency, Coram will be able to expeditiously provide this service to effect a timely patient discharge from the hospital.

- Low Intervention Patients: These are patients who are not homebound and therefore do not qualify for Medicare/Medicaid home health services. They need the skilled nursing visit to initiate the infusion process and then train the patient to self administer. These patients are not seen by certified home health agencies as they don't generally qualify for services. It is these types of patients that stay in hospitals longer than necessary because they have to start infusion and be trained at the hospital due to lack of qualified home health agency availability. As an approved home health agency, Coram will admit these patients and train them to self administer, thus saving the system financially by avoiding prolonged hospitalizations.
- Three Dose Schedule: Patients on certain types of infusion are on a three dose schedule, 6 AM, 2 PM and 10 PM. Because of this schedule, many of these patients stay in the hospital extra day(s) because of the availability or lack thereof for nurses to be at home for the first dose, which may be at 10PM. Many home health agencies do not provide services nights and weekends. Likely home health hours are reported as 8AM to 5 or 6 PM and not on weekends, particularly to start a new patient. This impacts discharge dates from hospitals as well as first dose policy/training. In addition, short notice to these home health agencies for a late afternoon referral inevitably results in an extra day in the hospital. As an approved home health agency, Coram will treat these patients on an interim basis until the patient is trained to self administer or the local home health agency admits the patient.
- Rural and Pediatric Patients: It has also been Coram's experience with its infusion therapy patients, that those who reside in outlying counties – the rural areas within the 25-county service area – and pediatric patients are patients for whom it is difficult to obtain infusion nursing services. Coram will also fill this need when the situation arises.

Infusion nursing is highly specialized in protocol, equipment management, patient/family education and training and time commitment. These aspects of

home care delivery are not typical with the average Medicare certified home health agency patient profile and service delivery, or with their available nurse staff.

The service area definition proposed by the Applicant is defined at the county level. This was accomplished through thorough study of the Coram Memphis Branch Patient Records which includes the patients' counties of residence, referral sources (i.e. place of hospitalization) and the specialized needs as discussed above. The counties for which approval is sought, based on the patient evaluation and needs, are the following:

| | | | |
|----------|-----------|------------|---------|
| Benton | Gibson | Houston | Perry |
| Carroll | Hardeman | Lake | Shelby |
| Chester | Hardin | Lauderdale | Stewart |
| Crockett | Haywood | Madison | Tipton |
| Decatur | Henderson | McNairy | Wayne |
| Dyer | Henry | Obion | Weakley |
| Fayette | | | |

The guideline relative to 1.5 percent of the population requiring home health services is generally not applicable to the infusion therapy population. First, the average home health agency utilization in the defined service area is greater than 2.5 percent (not 1.5 percent as noted in the Guidelines). Second, the infusion population is a limited subset of that population or not included within that population at all. This relates to the fact that some of the patients are younger, not home bound and require start up and training for self administration, but not ongoing skilled visits.

Service Area Study: Typical Patient Profile versus Coram Patient Profile

A review of the Department of Health Division for Licensing Health Care Facilities indicates there are sixty one (61) home health agencies licensed to serve the Applicant's proposed service area. Evaluation of these 61 existing home health agencies serving the West Tennessee service area indicates these agencies are dramatically different than what is proposed via this CON application. Specifically, these Medicare certified home health agencies patient profile as provided in the Tennessee Joint Annual Report (JAR) Summary has the following characteristics:

- Homebound
- Average visit duration is one to two hours
- Equipment generally not involved
- 81 percent of patient counts are Medicare/Medicare HMO and TennCare

- 80 percent of the visits are Medicare/Medicare HMO and 5 percent are TennCare, for a combined 85 percent of patient visits and 86 percent of revenues.
- 68 percent are 65 years of age and older with nearly 47 percent being 75 and older
- Of total visits in the West Tennessee county agencies,
 - 35 percent are physical, occupational and speech therapy,
 - 18 percent are home health aide and homemaker services,
 - 1 percent are medical social services, and
 - Just 44 percent are skilled nursing

Infusion nursing patients, and those proposed to be served by the Coram limited service home health agency, differ from the average Medicare certified home health agency patient. Notable differences are as follows:

- The predominant age of patients is under the age of 65
- Private insurance is the dominant payor
- Specialty patient infusion visits last up to six hours one time per month for lengthy infusions of immunoglobulin
- Antibiotic therapy and TPN patients can have up to three doses (infusions) per day at eight hour intervals
- Nurses require specialized understanding and protocol for infusion equipment
- The goal of infusion nursing is to train the patient to self administer with only limited follow up as needed by the nurse
- The patient may not be homebound, but may not have reasonable geographic or financial access to reach an ambulatory infusion center, hospital or other venue for infusion
- Infusion therapy in the home is more cost effective to the system than accessing the product and service in an institution (i.e. a hospital)

The needs of this highly specific patient population with unique infusion therapy requirements is not being met in the most appropriate, accessible and available means. With Coram's approval for a limited service home health agency license, these access problems can be ameliorated.

Service Area Study: Existing Agencies

A list of the 61 home health agencies along with their patient volume for patients residing in the 25 county service area for each of the last three calendar years is provided in the following table.

| <i>Licensed Agency</i> | <i>County</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i># of Svc Area Counties</i> |
|---|---------------|-------------|-------------|-------------|-------------------------------|
| Professional Case Management of TN | Anderson | 0 | 1 | 0 | 0 |
| Tennessee Quality Homecare – NW | Benton | 824 | 837 | 824 | 8 |
| Baptist Memorial Home Care & Hospice | Carroll | 235 | 213 | 260 | 8 |
| Alere Women's and Children's Health | Davidson | 1 | 1 | 1 | 1 |
| Amedisys Home Hlth (Cumberland Bend) | Davidson | 78 | 79 | 114 | 2 |
| Elk Valley Health Services Inc | Davidson | 47 | 50 | 74 | 19 |
| Home Care Solutions, Inc | Davidson | 29 | 18 | 7 | 1 |
| Willowbrook Home Health Care Agency | Davidson | 1 | 1 | 1 | 1 |
| Tennessee Quality Homecare – SW | Decatur | 1,195 | 964 | 912 | 8 |
| Volunteer Homecare of West Tennessee | Decatur | 1,299 | 1,260 | 1,313 | 9 |
| Regional Home Care, Dyersburg | Dyer | 744 | 814 | 707 | 6 |
| NHC Homecare | Fayette | 254 | 216 | 579 | 7 |
| Where The Heart Is | Fayette | 253 | 285 | 116 | 3 |
| Amedisys Home Care (NHC in 2010) | Gibson | 479 | 625 | 569 | 12 |
| Volunteer Home Care, Inc | Gibson | 2,486 | 2,975 | 3,000 | 12 |
| Deaconess Homecare II | Hardin | 1,117 | 1,153 | 1,216 | 9 |
| HMC Home Health (Extendicare 2010) | Hardin | 252 | 274 | 341 | 5 |
| Regional Home Care – Lexington | Henderson | 678 | 616 | 569 | 8 |
| Henry County Medical Center Home Hlth | Henry | 354 | 401 | 363 | 5 |
| Hickman Community Home Care, Inc | Hickman | 2 | 0 | 3 | 1 |
| Amedisys Home Health Care | Madison | 2,489 | 2,586 | 2,741 | 18 |
| Extendicare Home Health of West TN | Madison | 962 | 993 | 0 | 0 |
| Intrepid USA Healthcare Services | Madison | 294 | 86 | 422 | 15 |
| Lifeline of West Tennessee | Madison | 0 | 0 | 1,085 | 20 |
| Medical Center Home Health | Madison | 1,403 | 1,617 | 1,706 | 14 |
| Regional Home Care, Jackson | Madison | 1,206 | 1,061 | 1,159 | 14 |
| Careall Homecare Services | Mauzy | 16 | 16 | 104 | 4 |
| Mauzy Regional Home Services | Mauzy | 4 | 4 | 1 | 1 |
| NHC Homecare | Mauzy | 31 | 22 | 50 | 4 |
| Gateway Home Health Clarksville | Montgomery | 84 | 176 | 82 | 2 |
| Suncrest Home Health of Nashville, Inc. | Montgomery | 53 | 32 | 42 | 2 |
| Extendicare Home Health of Western TN | Obion | 398 | 347 | 81 | 3 |
| Amedisys | Overton | 0 | 0 | 221 | 1 |
| Highland Rim Home Health Agency | Putnam | 0 | 0 | 4 | 1 |
| NHC Homecare | Rutherford | 0 | 0 | 88 | 1 |
| Accredo Health Group | Shelby | 9 | 14 | 12 | 1 |
| Alere Women's & Children's Hlth | Shelby | 357 | 370 | 373 | 7 |
| Amedisys Home Care | Shelby | 882 | 938 | 1,061 | 3 |
| Amedisys Home Health | Shelby | 2,411 | 1,806 | 1,933 | 3 |
| Amedisys Home Health Care | Shelby | 576 | 683 | 936 | 3 |
| Americare Home Health Agency | Shelby | 1,324 | 1,727 | 1,811 | 2 |
| Baptist Trinity Home care | Shelby | 3,248 | 3,367 | 3,862 | 3 |
| Baptist Trinity Home care - Private Pay | Shelby | 1 | 1 | 0 | 0 |
| Best Nurses | Shelby | 311 | 366 | 364 | 1 |
| Elder Care | Shelby | 780 | 341 | 79 | 1 |
| Family Home Health Agency | Shelby | 375 | 863 | 379 | 1 |
| Functional Independence Home Care | Shelby | 725 | 804 | 953 | 3 |

| <i>Licensed Agency</i> | <i>County</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i># of Svc Area Counties</i> |
|--|---------------|-------------|-------------|-------------|-------------------------------|
| Home Health Care of West Tennessee | Shelby | 1,308 | 1,118 | 1,010 | 4 |
| Homechoice Health Services | Shelby | 2,037 | 1,164 | 861 | 6 |
| Interim Healthcare of Memphis | Shelby | 720 | 889 | 769 | 3 |
| Intrepid USA Healthcare Services | Shelby | 662 | 615 | 603 | 3 |
| Maxim Healthcare Services | Shelby | 103 | 197 | 155 | 6 |
| Methodist Alliance Home Care | Shelby | 2,958 | 2,939 | 2,935 | 3 |
| No Place Like Home | Shelby | 38 | 55 | 58 | 3 |
| Senior Services Home Health | Shelby | 642 | 697 | 609 | 1 |
| Still Waters Home Health Agency | Shelby | 105 | 127 | 101 | 1 |
| Willowbrook Visiting Nurse Association | Shelby | 473 | 533 | 479 | 5 |
| Baptist Home Care/Hospice - Covington | Tipton | 326 | 361 | 355 | 6 |
| Profl Home Hlth Care (CareAll 2010) | Tipton | 1,491 | 1,103 | 1,305 | 12 |
| Careall Homecare Svcs/Univ. Home Hlth | Weakley | 1,755 | 2,440 | 1,897 | 11 |
| Guardian Home Care of Nashville, LLC | Williamson | 44 | 47 | 49 | 2 |
| Vanderbilt HC Affiliated w/ Walgreens IV | Williamson | 0 | 0 | 3 | 2 |
| Careall | Wilson | 2 | 0 | 0 | 0 |
| Magnolia Regl Hlth Ctr HH & Hospice | Out of State | 39 | 53 | 43 | 2 |
| Regional Home Care Parkway | Out of State | 31 | 14 | 28 | 1 |
| Total | | 41,001 | 41,356 | 41,778 | — |

Source: Joint Annual Report of Home Health Agencies, Attachment C, pages 6 through 10. Patients Serviced for the Service Area Counties per the Joint Annual Report Summary as reported in Report #6. The Number of Service Area Counties represent those counties within the Coram West Tennessee Service Area in which each home health agency had patients during 2013.

As the data above shows, many of these 61 agencies have very limited patient counts residing in the 25 county service area. Others may only serve 1 or a few of the 25 county service area. More importantly is the fact these HHA patients do not correlate with that proposed by this Coram CON application. Whereas 85 percent of the above agencies patient visits are Medicare/Medicare HMO and TennCare, Coram expects none of its patients to be Medicare and TennCare. Whereas the majority of the above agencies patients are 65 years of age and older, Coram expects its patients to be for the most part under the age of 65.

As discussed in this CON application, existing home health agencies are reluctant and refuse to treat many of these patients in their homes for a variety of reasons, mostly because the patients are not truly “home bound”, they do not qualify for home care reimbursement. In other cases, the nature of the therapy, such as IVIG or Three Dose Therapies, which are either frequent throughout the day or require a several hour administration and observation, is not economically viable for existing HHAs to tie up a nurse for such low reimbursements. And finally, no existing HHA will consider administering First Dose Therapies and will only treat established infusion therapy patients.

Service Area Study: Existing Agency Service Availability

During the third and fourth quarter of 2013, Coram undertook a research study of the existing home health agencies within its proposed service area footprint to confirm each agency's skill set relative to infusion nursing. The purpose of this research was to identify resources to make Coram's pharmacy more effective, or in the alternative, to provide documentation supporting this CON application. The communication with the existing home health agencies was via telephone; not all agencies responded although a significant majority did. Following is a summary of the findings:

- **IVIG:** For the query as to whether the agencies provide nursing infusion services for IVIG patients, following were the responses of the 46 agencies which directly responded to this question:
 - One half said they do not provide the service.
 - Another 35 percent indicated they could if they had the staff, had appropriate training and/or on a case by case basis.
 - Just eight agencies throughout the service area indicated 'yes'.

As will be noted in the further Service Area Study detailed below, 'yes' doesn't always mean yes. And, more importantly the 35 percent who indicated they could provide the service if they had the staff, had training or on a case by case basis do not currently provide the service.
- **Alpha1:** For the query as to whether the agencies provide nursing infusion services for Alpha1 patients, the answers were similar to IVIG with a few exceptions:
 - One half said they do not provide the service.
 - Another one-third indicated they could if they had the staff, had appropriate training and/or on a case by case basis.
 - Four agencies indicated they could provide the service as long as cardiac therapies were not involved.
 - Just six agencies throughout the service area indicated 'yes'.

As will be noted in the further Service Area Study detailed below, 'yes' doesn't always mean yes. And, more importantly those which indicated they could provide the service if they had the staff, had training or on a case by case basis do not currently provide the service, nor do those with the service qualifier relative to cardiac therapies.
- **First Dose Therapies:** For the query as to whether the agencies provide nursing infusion services for First Dose Patients, following were the responses of the 46 agencies which directly responded to this question:
 - 87 percent do not provide the service.
 - Another agency indicated they could if they had the staff.
 - Just five agencies throughout the service area indicated 'yes'.

As will be noted in the further Service Area Study detailed below, 'yes' doesn't always mean yes.

The Applicant does not have specific letters from area home health agencies with respect to their limitations in service provision and corresponding support for this application. However, one of the agencies queried above with which Coram works regularly provided the following information in email format:

"...Methodist HH has historically not taken part in providing care for first dose or biologic infusions, you are correct. I think Coram is the right place to maintain this as a specialty function for their nurses trained in this procedure. Methodist does not plan to move in the direction of staffing for first dose or biologics in the home. ... While I am in favor of your nursing staff managing your first dose/biologic services, I am not sure my signing a letter of support for your HHA would be approved by Methodist - might be a bit of a conflict there. I would not actively oppose Coram seeking licensure, though, to serve this unique population."

The email is included in Attachment, Section C, Need: Home Health Services, Item 5. This information is a clear depiction of the existing situation relative to competition and existing providers. While the home health agency recognizes the importance of Coram's mission and service, no letter of support can be provided.

In line with this email, the Applicant does not believe any home health agency is going to admit that it is unable to perform any particular licensed home health agency service and provide a letter of support for this CON application in conjunction with that admission. However, the Applicant is unable to find anywhere in the enabling statute, promulgated regulations of the HSDA, the Guidelines for Growth or any criteria that requires an applicant for any CON regulated service produce documentation that existing providers lack interest in the services proposed to be provided by a CON applicant. The Applicant will supplement the record up to the hearing date upon receipt of any letters of support from any of the existing home health agencies.

Another query of the agencies due to Coram's familiarity with certain challenges relative to payor denials and home bound status (or lack thereof) was how each of the agencies handle Medicare denials. In most cases, the agency indicated they would bill the patient for denied service. This is, of course, a significant issue since the typical Coram patient as explained is not 'home bound' and therefore would normally be denied service without education of the payor source. Four recent patient examples of impact of not being homebound on a Medicare certified home health agency is presented in the following section.

Service Area Study: Pharmacy Patients Who Lost Home Health Coverage Due to Not Being Home Bound

As noted, Coram does not intend on becoming Medicare/Medicaid certified in its home health service. Because it will not provide the full range of home health services, it does not meet the Medicare conditions of participation. Additionally, many of its patients will not be home bound as defined by those conditions of participation, or other payors.

Because Coram provides the pharmacy products on an ongoing basis, with many of its patients being supported by existing licensed home health agencies, Coram often encounters specific patient scenarios and hardships associated with the patient's ongoing treatment needs. In recent months, Coram has documented four specific patient scenarios where the patient was being supported by a local home health agency but lost its home health agency coverage due to a mid-service determination of not meeting the home bound status. Following is a summary of these four patient scenarios, which support the unique request by Coram to become a limited service home health agency for just these circumstances:

- Patient #1: Patient receiving Alpha1 therapy via a port. An existing HHA was supporting the patient's treatment. Payor began enforcing patients must be homebound. Payor discontinued the HHA service. In time, patient had to be taught to access his port and self infuse his own port.
- Patient #2: Patient receiving Alpha1 therapy. Agency has been starting line and taught patient to mix drug and self infuse then agency left. Agency was in home approximately 30 minutes per visit. Patient works in Memphis but lives in Mississippi. To go to an ambulatory infusion suite, patient would have to miss at least half day of work. Coram was able to help the insurance company see the total financial out of pocket it would pay a suite versus what it is actually paying the agency. This coupled with the fact the patient's employer needs patient present at work as patient is one of only two people who do patient's job. Patient needs job for benefits. Finally insurer reversed HOMEBOUND decision and let patient keep benefits.
- Patient #3: Patient was receiving Alpha1 therapy. Patient has job and was therefore deemed not home bound by payor. Patient appealed agency decision. Payor indicated for patient to obtain a letter of medical necessity but for patient to pay for care of home health service. Coram negotiated a lower rate for the patient subsidizing some of the cost on the patient's behalf.
- Patient #4: Patient was receiving Alpha1 therapy and as a result experienced less infections. Patient began working part time. The payor

reversed coverage since now not homebound. Patient unable to find an agency willing to teach him to self access with an INT/butterfly. Since Coram has protocols in place for hemophiliac program, Coram was able to perform training provided the patient had a support person to also get trained. Because there was not a CON in place in this geographic area, this patient traveled to the Coram suite in Nashville, where he received the required training and support. The patient has infused his patient medication since then without difficulty.

As with each of these cases, homebound status was a factor in discontinuing the patient's treatment by a home health agency. Coram facilitated in these instances including coordinating treatment within Coram's Nashville infusion center (some distance away), presenting the case to the payor, and assisting in subsidizing the home treatment on the patient's behalf. If Coram had been licensed as a limited service home health agency, Coram would have worked effectively and expediently to appropriately train the patient to self administer.

Service Area Study: Patients Requiring Home Health Agency Services

Patients currently referred to Coram for pharmacy products fit into one of the product categories described above. Many of these patients who are typical therapy patients are referred by the physician or hospital with home health, if necessary, in place. The more challenging patients are those referred to Coram for pharmacy products which are first dose, specialty infusion (IVIG, Alpha1), multiple times per day infusions or low dose interventions.

For these patients who are referred to Coram pharmacy *without* a needed home health service, beginning in June 2013, Coram initiated telephone documentation of the requirements that became imposed on Coram to meet the patient's needs with an effective discharge from the hospital (as most of these patients were hospitalized). For these patients without necessary home health support for which Coram undertook the challenge to find the requisite resources for the patient, Coram documented the situation. The following table presents a summary of the documentation from June through March 2014:

| Month/Year | Number of Patients Referred without Home Health | Coram Initiatives to Identify Home Health Service | | |
|----------------------|---|---|------------------------------------|---------------------------|
| | | Home Health Identified Timely | Delayed Home Health Identification | No Home Health Identified |
| June 2013 | 16 | 8 | 2 | 6 |
| July 2013 | 20 | 6 | 12 | 2 |
| August 2013 | 23 | 13 | 6 | 4 |
| September 2013 | 12 | 3 | 8 | 1 |
| November 2013 | 13 | 4 | 8 | 1 |
| December 2013 | 20 | 8 | 11 | 1 |
| January 2014 | 22 | 15 | 6 | 1 |
| February 2014 | 17 | 11 | 5 | 1 |
| March 2014 | 12 | 3 | 9 | 0 |
| 9 Month Total | 155 | 71 | 67 | 17 |
| Average/Month | 17 | 8 | 7 | 2 |
| Percent | -- | 46% | 43% | 11% |

Note: Data was not captured during the month of October 2013 due to personnel changes.

As presented in the above table, only 46 percent, or about 4 ½ of 10 patients received home health services on a timely basis. Eleven percent did not receive the service so alternative treatment was pursued. The balance, 43 percent of patients, had delayed access to treatment.

In sum, 5 ½ of 10 patients (54 percent) requiring medically necessary services did not receive services on a timely basis, had delayed discharges from the hospital or did not receive the service in the most effective and appropriate

manner. This is clearly a deficiency in the healthcare delivery system that needs to be addressed; and, it can be appropriately remedied with the approval of Coram's limited service home health agency via this CON application.

Service Area Study: Patient Case Study

Coram regularly works with its pharmacy patients to understand their needs and how they may be best met in an efficient, cost effective and expeditious manner. Patients who have an understanding of resources that are NOT available to meet their needs can be valuable in sharing their “story” with HSDA so that Coram may receive CON approval. Certain Tennessee patients of Coram’s pharmacy business have agreed to “provide their story” in the form of a letter. Following are the stories:

- Michelle B: *“I am a nurse who is also a long term Total Parenteral Nutrition (TPN) patient. My personal experiences and my clinical knowledge are presented here to share with you why it is so very important that your Agency approve Coram’s request for a limited service home health agency. By way of background, I travel extensively and am involved in a patient advocate program. Because of my personal history with access maintenance and having to have a line replaced while out of the country in the past, I requested a PICC line repair kit from Coram. Coram provides my TPN products. Coram had the kit available and the requisite program and educational material. However, because the Memphis branch did not have a CON to provide skilled nursing services, the nurses at the branch could not ‘touch’ me nor provide me with the skilled nursing training. Therefore, I went without this valuable resource. Sure enough, about two months later, I experienced a fracture on the pigtail portion of my line that resulted in what I consider an unnecessary procedure. Had Coram had its limited home health agency license, the healthcare systems costs would have been less as (1) I would not have had to had an extra procedures; (2) I could have fixed the problem without outside intervention; (3) the quality of my treatment and experience would have been improved; and (4) outcomes would have been improved. From a personal standpoint, the additional costs I incurred and additional hardships and recovery from the procedure I had to endure would have been avoided. I would have also had better patient outcomes, improving the quality and cost effectiveness of my care and treatment. For the reasons as stated above, and my knowledge of Coram’s commitment to quality service, please approve Coram’s CON request for a limited service home health agency. Please contact me if I can be of further assistance.”*
- Patient B.H.’s story: *I am the Regional Nurse Manager with Coram Alternate Site Services, Inc. We recently had a patient Mrs. B. H. whose husband, Mr. H., was her primary caregiver. Mrs. B.H. was a terminal patient who has since expired. We met Mrs. B. H. while a patient in a local hospital. The hospital had arranged for Coram to provide Mrs. B. H. with the infusion products and a home health agency to provide the at home skilled infusion services. Upon accepting the patient, Coram nurses saw the patient in the hospital, doing the pump connection and line assessment as is the standard of care for this type of patient. Mrs. B. H. then went home. One of Coram’s*

standard protocols is conduct a 24 hour follow up by telephone with each patient. During this callback the day after doing the pump connection and line assessment, the family answered the telephone. They informed the Coram representative that the contracted home health agency was still there and having difficulty accessing the port. In fact, we were informed that two nurses had attempted with three different needles. Obviously, both Mrs. B. H. and Mr. H. were quite concerned and fearful of the circumstance. In response, Coram nurses took additional supplies to the patient home and provided one on one education on the spot for the nursing agency nurse. Our Coram staff talked the nurse through the appropriate technique for successfully accessing the port. The situation was very unfortunate for Mr. and Mrs. H. Their encounter with the healthcare system was suboptimal and the level of care received was below acceptable quality. Had Coram been licensed to provide this level of skilled care for this unique infusion patient type, there would have been many benefits to the patient and healthcare system in general. The patient would have had improved patient experience; the patient would not have had two nurses with three different needles; the patient's outcome would have been better; the patient would have received treatment consistent with the standard of care; the patient would have had less stressors in this circumstance although we do not know the ultimate impact of that improvement on the health and longevity of the patient. From a general healthcare perspective, had Coram provided the service from the outset, it would have been more cost effective as Coram came to the patient home to educate the other home health agency on treatment methods – so now extra nurse skills were used to treat the patient; quality of care would have been improved as a result of eliminating the failed attempts to access the port; and patient experience with the healthcare system would have been improved. It is circumstances like this that necessitate the need for Coram to have its certificate of need application to provide limited scope home health services be approved. Please give our request favorable consideration.”

Service Area Study: Patient Placement Hardships

Brief summaries of some of the patients having delayed or no access to care (the 54 percent group) which are summarized in the prior discussion are detailed below. As noted, there were 84 patients falling into this category in these limited months. This is just a snapshot of some of those stories.

- Patient A, aralast: 12 contacts; all 12 declined service due to not being able to provide this therapy (4), cannot provide in that location (6) and other reasons (2). Agencies declining this patient included Girling, Amedisys, Gentiva, Advanced HomeCare, Interim and Laughlin.
- Patient B, Blue Cross patient, requires catheter care: 5 contacts; all 5 declined due to not homebound, compliance, and not in network. Agencies declining service included Homechoice, Amedisys, HHC of West Tennessee and Baptist.
- Patient C, Blue Cross patient, pharmacy prescription for amphotericum B: four contacts; all 4 declined service due to high risk of drug reaction and not enough notice to prepare for service. Declining agencies included Sta Home, Intrepid USA and Methodist.
- Patient D, Blue Cross patient, pharmacy prescription for IVIG: 15 contacts, all unsuccessful. Reasons for not accepting patients include do not accept pediatric patients, out of service area, or no reason. Declining agencies included Magnolia, Homechoice, Sta Home, Intrepid, Functional Independence, Amedisys, Methodist, AmeriCare, Maxim, Still Waters, Willowbrook, Best Nurses and Visiting Angels.
- Patient E, Americhoice, pharmacy prescription for daptomycin: 7 contacts, all declined for out of network or staffing. Declining agencies included Amedisys, Trinity, WTHI, Methodist, HHC of West Tennessee and Homechoice.
- Patient F, pharmacy prescription fo zosyn: 6 contacts; five denied for staffing or out of network. Declining agencies WTHI, Methodist, Baptist, Homechoice and Americare.
- Patient G, Medicare, pharmacy prescription for IVIG: six contacts; five declined due to staffing and can't provide this therapy. Declining agencies included Homechoice, Baptist, Primecare, Sta Home and Intrepid.
- Patient H, pharmacy prescription for IVIG: eight contacts, all denied service. Reasons given were can't provide therapy, not staffed or out of area. Declining agencies included Amedisys, Intrepid, Homechoice, Careall, Harden County and Regional Homecare.

- Patient I, prescription for IVIG: 9 contacts all declined due to not providing therapy, not staffed, out of area or no reason given. Declining agencies included Amedisys, Functional Independence, Intrepid, WTHI, Sta Home, Interim, Primcare and Methodist.
- Patient J, Blue Cross, prescription for ABX: six contacts, five denied due to no staffing and no first dose. Denying agencies included Amedisys, Methodist, Baptist, Homechoice and HHC of West Tennessee.
- Patient K, Healthsprings of Tennessee, prescription for ABX: four contacts, three denied due to staffing issues. Denying agencies included Careall, HHC of West Tennessee and Functional Independence.

Additional details of these patient situations and the balance of the other patient encounters summarized in the June 2013 through March 2014 documentation are available upon request, subject to HIPAA regulations.

Coram's proposed home health agency will address the system limitations created by the documented gap in the delivery system. Coram recognizes it can correct these deficiencies as each of the patient scenarios detailed above could be remedied with the approval of this CON application, and would not have occurred had Coram been licensed as a limited service home health agency.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

- 2. In a given county, 1.5 percent of the total population will be considered as the need estimate for home health services in that county. The 1.5 percent formula will be applied as a general guideline, as a means of comparison within the proposed service area.**

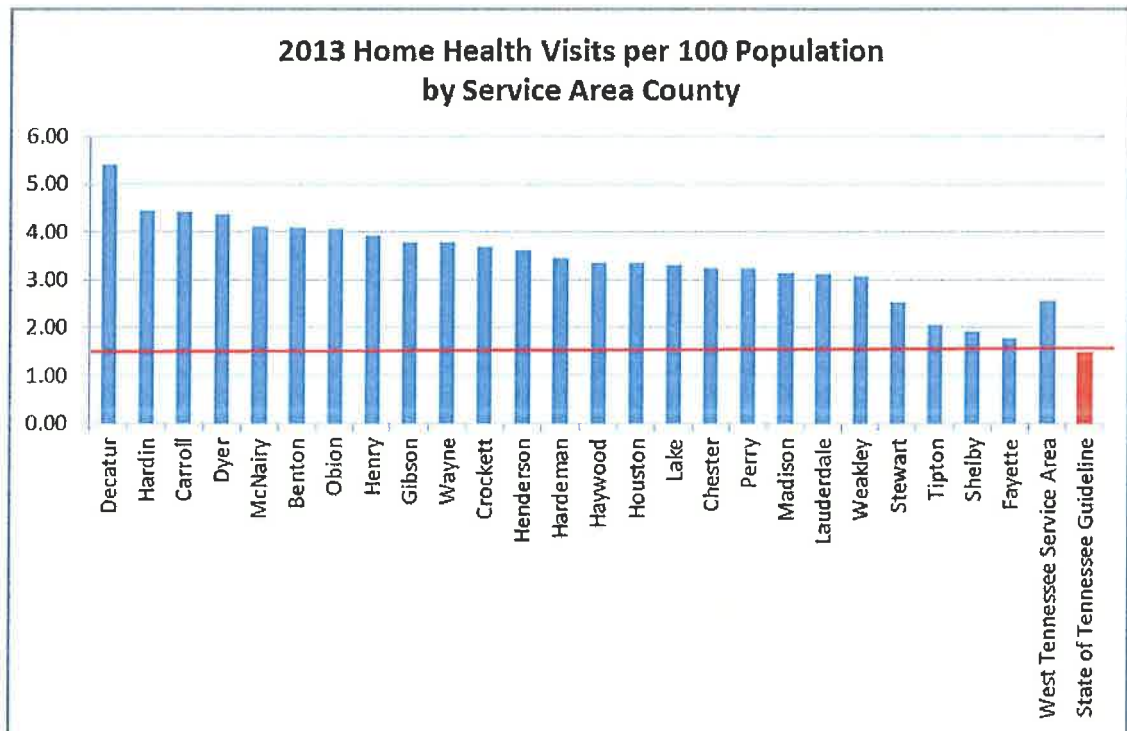
The defined service area for Coram Alternate Site Services, Inc.'s proposed home health agency includes 25 counties within West Tennessee. This area represents the counties where in excess of 86 percent of Coram's Tennessee (in-state) infusion therapy patient population resides.

In the following table is the current (2013) population as estimated by the Tennessee Office of the Governor, forecasted four years from current to 2018. Accompanying the population count is the home health formula identifying potential home health patients as a 1.5 percent general guideline applied to the total population.

| Service Area County | Population | | 1.5 Percent General Guideline | |
|-------------------------|------------|-----------|-------------------------------|--------|
| | 2013 | 2018 | 2013 | 2018 |
| Benton | 16,315 | 16,104 | 245 | 242 |
| Carroll | 28,213 | 27,831 | 423 | 417 |
| Chester | 17,355 | 17,999 | 260 | 270 |
| Crockett | 14,568 | 14,683 | 219 | 220 |
| Decatur | 11,773 | 12,080 | 177 | 181 |
| Dyer | 38,205 | 38,427 | 573 | 576 |
| Fayette | 40,081 | 44,888 | 601 | 673 |
| Gibson | 50,748 | 52,163 | 761 | 782 |
| Hardeman | 26,492 | 26,067 | 397 | 391 |
| Hardin | 25,968 | 26,244 | 390 | 394 |
| Haywood | 18,199 | 18,009 | 273 | 270 |
| Henderson | 28,080 | 28,631 | 421 | 429 |
| Henry | 32,595 | 32,956 | 489 | 494 |
| Houston | 8,358 | 8,447 | 125 | 127 |
| Lake | 9,795 | 9,468 | 147 | 142 |
| Lauderdale | 27,465 | 27,125 | 412 | 407 |
| McNairy | 26,408 | 27,299 | 396 | 409 |
| Madison | 99,153 | 101,001 | 1,487 | 1,515 |
| Obion | 31,536 | 31,222 | 473 | 468 |
| Perry | 7,971 | 8,096 | 120 | 121 |
| Shelby | 940,972 | 954,012 | 14,115 | 14,310 |
| Stewart | 13,436 | 13,941 | 202 | 209 |
| Tipton | 63,001 | 67,545 | 945 | 1,013 |
| Wayne | 16,887 | 16,724 | 253 | 251 |
| Weakley | 38,255 | 39,491 | 574 | 592 |
| West TN Service Area | 1,631,829 | 1,660,453 | 24,477 | 24,907 |

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics, 2014 Revision.

The above computes an estimated 24,900 persons who are appropriate for home health services, based on the general guidelines. Actual experience within these 25 counties far exceeds the need estimate based on 1.5 percent. In fact, none of the service area's 25 counties have a use rate less than 1.5 percent. Use rates in the 25 counties range between 1.78 percent and 5.42 percent. Actual 2013 use rates by service area county are shown in the following chart:



The overall average of the service area is 2.55 percent, which is 70 percent greater than the 1.5 percent guideline. Had the actual historical utilization been utilized to forecast the demand in 2018, the estimate 24,900 visits in 2018 would have increased to more than 42,300 – 70 percent more than the computation utilized by the State to determine need presented in the above table.

Not a single county in the West Tennessee Service Area had actual utilization experience of 1.5 percent or less; the lowest utilization as noted is 1.78, 19 percent greater in one county than the State formula with all remaining counties exceeding, some materially, this 1.78 value. This demonstrates the State's need formula of 1.5 percent of population is a dated formula not incorporating the healthcare system's focused initiative to provide healthcare services to patients in the least restrictive, least costly appropriate environment. Focus on community based programs and services, outpatient treatment and effectively treating patients in a less costly environment all contribute to the 1.5 guideline rate being an inappropriate measure of the need for home health services.

Coram's proposal involves providing services to approximately 228 patients per year. This represents only 0.9 percent of the 24,907 in the table or 0.5 percent of the actual/expected 42,322 identified patients if the total is inclusive of the infusion patient.

Aside from actual experience in the service area far exceeding the 1.5 computation, in the case of this CON application for a restricted home health service license, the general guideline is not applicable as the proposed patient population is not the traditional home health client, nor is the person seen for the same length of time. The population in need of infusion nursing services is generally not elderly, not covered by Medicare, not in need of the full scope of home health services and may not even be homebound. The patient, however, will be a costly addition to the healthcare system if the infusion service is provided in an institutional setting versus at home. Furthermore, part of Coram's proposal is to educate the infusion patient to enable self administration after the initial visit(s). Therefore, further reduction in costs to the healthcare system will be expected with the approval of this CON application.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

3. *Using recognized population sources, projections for four years into the future will be used.*

The defined service area for the Applicant is 25 counties within West Tennessee. These counties include those listed in the table below which also provides forecasted population as estimated by the Tennessee Office of the Governor, four years from current (2014), the forecasted change between 2013 and 2018 and the percent that change represents.

| Service Area County | Population | | Change from 2013 to 2018 | |
|-------------------------|------------|-----------|--------------------------|---------|
| | 2013 | 2018 | Count | Percent |
| Benton | 16,315 | 16,104 | (211) | -1.3% |
| Carroll | 28,213 | 27,831 | (382) | -1.4% |
| Chester | 17,355 | 17,999 | 644 | 3.7% |
| Crockett | 14,568 | 14,683 | 115 | 0.8% |
| Decatur | 11,773 | 12,080 | 307 | 2.6% |
| Dyer | 38,205 | 38,427 | 222 | 0.6% |
| Fayette | 40,081 | 44,888 | 4,807 | 12.0% |
| Gibson | 50,748 | 52,163 | 1,415 | 2.8% |
| Hardeman | 26,492 | 26,067 | (425) | -1.6% |
| Hardin | 25,968 | 26,244 | 276 | 1.1% |
| Haywood | 18,199 | 18,009 | (190) | -1.0% |
| Henderson | 28,080 | 28,631 | 551 | 2.0% |
| Henry | 32,595 | 32,956 | 361 | 1.1% |
| Houston | 8,358 | 8,447 | 89 | 1.1% |
| Lake | 9,795 | 9,468 | (327) | -3.3% |
| Lauderdale | 27,465 | 27,125 | (340) | -1.2% |
| McNairy | 26,408 | 27,299 | 891 | 3.4% |
| Madison | 99,153 | 101,001 | 1,848 | 1.9% |
| Obion | 31,536 | 31,222 | (314) | -1.0% |
| Perry | 7,971 | 8,096 | 125 | 1.6% |
| Shelby | 940,972 | 954,012 | 13,040 | 1.4% |
| Stewart | 13,436 | 13,941 | 505 | 3.8% |
| Tipton | 63,001 | 67,545 | 4,544 | 7.2% |
| Wayne | 16,887 | 16,724 | (163) | -1.0% |
| Weakley | 38,255 | 39,491 | 1,236 | 3.2% |
| West TN Service Area | 1,631,829 | 1,660,453 | 28,624 | 1.8% |

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics, 2013 Revision.

Given the Applicant's forecasted skilled nursing patient count and skilled nursing patient visits, it only expects to annually admit 0.014 percent of the total population (228 / 1,631,829) based on 2013 population counts, decreasing to 0.0137 percent based on 2018 population counts.

As noted previously, this application is for a limited service (restricted) home health agency to provide infusion nursing and related services to infusion therapy patients in their home. It is a special circumstance and category of patient who does not fall within the traditional home health type patient. Accordingly, its need should be measured by the special circumstances demonstrated by the Applicant, not the traditional or general observations included in the Guidelines.

Service area maps have been prepared for this project and are included in Attachment, Section B, Project Description, Item V and Attachment C, Home Health Services, Item 3. There are two maps included. The first one is the entire state with the service area counties highlighted. The second version has the service area "zoomed in" to provide more detail at the county level.

There are no readily available infusion nursing services to meet the unique needs of the Coram infusion therapy patients. Time and time again, Coram and its referring hospitals struggle with this dilemma resulting in extended but avoidable hospital stays of these patients. Constituent input supporting this fact is presented in response to Question 5 below.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

- 4. The use rate of existing home health agencies in the county will be determined by examining the latest utilization rates as calculated in the Joint Annual Report of existing home health agencies in the service area. Based on the number of patients served by home health agencies in the service area, an estimate will be made as to how many patients could be served in the future.**

Home health agencies with licenses in each county do not necessarily provide services within the counties for which they are licensed. As required in the Joint Annual Reports (JAR), each home health agency is to identify its patients by county of residence. So, for example, an agency licensed in 15 counties may not have patients in all 15 counties. And, by being licensed in those 15 counties, the JAR Summary will list “licensed” agencies and “reporting” agencies indicating that although licensed each is not reporting services to residents of each county in which it is licensed.

The following table identifies the number of licenses by county along with those agencies providing reports and reporting residents by county.

| Service Area Counties | Number of Home Health Agencies | |
|-----------------------|--------------------------------|-----------|
| | Licensed | Reporting |
| Benton | 11 | 10 |
| Carroll | 13 | 13 |
| Chester | 14 | 13 |
| Crockett | 13 | 12 |
| Decatur | 17 | 14 |
| Dyer | 11 | 10 |
| Fayette | 26 | 23 |
| Gibson | 15 | 14 |
| Hardeman | 17 | 15 |
| Hardin | 16 | 14 |
| Haywood | 15 | 13 |
| Henderson | 14 | 13 |
| Henry | 10 | 10 |
| Houston | 12 | 11 |
| Lake | 6 | 5 |
| Lauderdale | 14 | 11 |
| McNairy | 15 | 13 |
| Madison | 16 | 15 |
| Obion | 12 | 12 |
| Perry | 11 | 6 |
| Shelby | 27 | 27 |

| Service Area Counties | Number of Home Health Agencies | |
|-----------------------|--------------------------------|-----------|
| | Licensed | Reporting |
| Stewart | 10 | 10 |
| Tipton | 26 | 22 |
| Wayne | 11 | 9 |
| Weakley | 13 | 11 |

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics.

The total of the table will not indicate how many home health agencies are licensed within the 25 county area. A cumulative total will actually provide the aggregate number of counties. So in the example where one home health agency is licensed in 15 counties, it is counted 15 times in the above list. In the case of this CON application proposed service area, there are 61 licensed agencies serving one or more counties in this service area.

Considering just the active home health agencies and patients by county of residence, and the 2013 utilization by county, the effective use rate averages 25.5 patients per 1,000 population, or 2.55 percent of the population. As shown in the following table, all of the 25 counties have use rates exceeding the State guideline. These range from a low of 1.78 percent to a high of 5.42 percent depending on the county of residence.

| Service Area County | Patients Served in 2013 | 2013 Population | Use Rate | 2018 Population | Estimated 2018 Capacity |
|---------------------|-------------------------|-----------------|----------|-----------------|-------------------------|
| Benton | 667 | 16,315 | 0.0409 | 16,104 | 658 |
| Carroll | 1,246 | 28,213 | 0.0442 | 27,831 | 1,229 |
| Chester | 563 | 17,355 | 0.0324 | 17,999 | 584 |
| Crockett | 537 | 14,568 | 0.0369 | 14,683 | 541 |
| Decatur | 638 | 11,773 | 0.0542 | 12,080 | 655 |
| Dyer | 1,671 | 38,205 | 0.0437 | 38,427 | 1,681 |
| Fayette | 713 | 40,081 | 0.0178 | 44,888 | 799 |
| Gibson | 1,924 | 50,748 | 0.0379 | 52,163 | 1,978 |
| Hardeman | 917 | 26,492 | 0.0346 | 26,067 | 902 |
| Hardin | 1,157 | 25,968 | 0.0446 | 26,244 | 1,169 |
| Haywood | 612 | 18,199 | 0.0336 | 18,009 | 606 |
| Henderson | 1,015 | 28,080 | 0.0361 | 28,631 | 1,035 |
| Henry | 1,283 | 32,595 | 0.0394 | 32,956 | 1,297 |
| Houston | 281 | 8,358 | 0.0336 | 8,447 | 284 |
| Lake | 325 | 9,795 | 0.0332 | 9,468 | 314 |
| Lauderdale | 857 | 27,465 | 0.0312 | 27,125 | 846 |
| McNairy | 1,089 | 26,408 | 0.0412 | 27,299 | 1,126 |
| Madison | 3,121 | 99,153 | 0.0315 | 101,001 | 3,179 |
| Obion | 1,280 | 31,536 | 0.0406 | 31,222 | 1,267 |
| Perry | 258 | 7,971 | 0.0324 | 8,096 | 262 |
| Shelby | 18,064 | 940,972 | 0.0192 | 954,012 | 18,314 |
| Stewart | 339 | 13,436 | 0.0252 | 13,941 | 352 |
| Tipton | 1,298 | 63,001 | 0.0206 | 67,545 | 1,392 |
| Wayne | 640 | 16,887 | 0.0379 | 16,724 | 634 |
| Weakley | 1,180 | 38,255 | 0.0308 | 39,491 | 1,218 |

| <i>Service Area County</i> | <i>Patients Served in 2013</i> | <i>2013 Population</i> | <i>Use Rate</i> | <i>2018 Population</i> | <i>Estimated 2018 Capacity</i> |
|--------------------------------|--|----------------------------|-----------------|----------------------------|------------------------------------|
| Total | 41,675 | 1,631,829 | 0.0255 | 1,660,453 | 42,322 |

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics, 2014 Revision.

As the table in response to Section C, Need, Question 5 indicates, there are actually 61 agencies reporting activity in 2013 in these counties. Yet, despite this number of agencies, there is a compelling need for approval of Coram's proposal for infusion nursing services. The distinct and highly specialized need with credentialed certified staff is unique when one considers the existing home health agencies serving West Tennessee. Their provision of services does not generally include first dose protocols or certified infusion staff, but rather focuses on Medicare clients in need of skilled, aide and therapy visits.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

5. Documentation from referral sources:

- a. The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.**
- b. The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.**
- c. The applicant shall provide letters from potential patients or providers in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.**
- d. The applicant shall provide information concerning whether a proposed agency would provide services different from those services offered by existing agencies.**

The patients to be treated by Coram will be its home infusion product patients in need of administration of the infusion product and related infusion nursing services. By way of example and not limitation, the related services are line maintenance, infusion equipment repair and replacement and dressing changes on central lines and external access ports. These services will be provided by a registered nurse who is appropriately credentialed and is certified with a CRNI designation (certified registered nurse infusion). These services and credentials are a unique service and not typical of the average Medicare certified home health agency available to West Tennesseans.

The types of patients will be restricted to infusion therapy patients. Types of infusion products to be administered include:

- Antibiotics
- Total parenteral nutrition (TPN)
- Hydration
- Cardiac products (such as inotropic therapies)
- Intravenous immunoglobulin (IVIG) and other similar specialty drugs
- Pain management
- Antiemetic
- Steroids

The uniqueness of this patient population that drives the need for Coram to be licensed as a home health agency includes the following infusion patients by group:

- Specialty Patients Requiring IVIG and Alpha 1 Therapies
- First Dose Administration
- Low Intervention Patients
- Three Dose Schedule Patients
- Rural and Pediatric Patients

The underlying bases and discussions relative to the lack of access and availability of skilled nursing services for this patient population are provided in response to Section C, Need: Home Health Services, Question 1. In summary, each of these patient types requires and will benefit from infusion nursing services in the home which includes patient and family education for self administration.

To estimate the number of infusion nursing patients and their related skilled visits for the forecast period, the Applicant considered the types of infusion therapy products which comprise the patient therapies for which it has physician orders, the average monthly census by type of infusion and the hardship the Applicant has encountered in various situations throughout West Tennessee in obtaining qualified infusion nursing services from other third parties. This affected the analysis because Coram is not intending on competing with existing available services but rather responding to a community need based on the gap in service which equates to a lack of availability or accessibility of infusion nursing services.

As noted previously, there are primary differences between two types of Coram patients. One is the more typical infusion therapy patient receiving antibiotics, TPN, pain management, cardiac and the like; the other is the specialty patient receiving immunoglobulin or alpha 1 therapies. Following is a table that reflects the number of therapies by quarter for the most recent calendar year:

| <i>Therapy</i> | <i>Q1-2013</i> | <i>Q2-2013</i> | <i>Q3-2013</i> | <i>Q4-2013</i> | <i>CY 2013</i> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Antibiotics | 90 | 92 | 93 | 60 | 335 |
| Anticoagulant Therapy | 0 | 0 | 0 | 1 | 1 |
| Antiemetic | 4 | 3 | 3 | 1 | 11 |
| Antiviral Antifungal Agents | 5 | 8 | 3 | 1 | 17 |
| Aralast Alpha-Proteinase Inhibitor | 5 | 5 | 4 | 7 | 21 |
| Calcitonin | 1 | 2 | 1 | 0 | 4 |
| Cardiovascular Agent | 4 | 3 | 4 | 4 | 15 |
| Catheter Care | 11 | 10 | 13 | 10 | 44 |
| Corticosteroid Therapy | 2 | 0 | 6 | 3 | 11 |
| Gastrointestinal Tract Agent | 1 | 0 | 0 | 0 | 1 |
| Immunoglobulin IV | 13 | 15 | 17 | 18 | 63 |
| Immunoglobulin Subcutaneous | 10 | 7 | 8 | 9 | 34 |
| Investigational Drug | 1 | 1 | 0 | 0 | 2 |
| IV Fluid Replacement, Hydration | 8 | 11 | 7 | 4 | 30 |
| Misc IV Drugs | 4 | 1 | 1 | 0 | 6 |

| <i>Therapy</i> | <i>Q1-2013</i> | <i>Q2-2013</i> | <i>Q3-2013</i> | <i>Q4-2013</i> | <i>CY 2013</i> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Multiple Sclerosis Injection | 1 | 0 | 0 | 0 | 1 |
| Opiate Pain Management | 6 | 5 | 5 | 4 | 20 |
| TPN | 68 | 68 | 59 | 79 | 274 |
| Zemaira Alpha Proteinase Inhibitor | 6 | 7 | 7 | 8 | 28 |
| Total | 240 | 238 | 231 | 209 | 918 |

The more common therapies comprise 84 percent of Coram's deliverables; the specialty patients comprise 16 percent of the Memphis Branch of therapies provided. In terms of estimated requirement for infusion nursing services, it is estimated that 100 percent of the specialty patients will require the service. Depending on the therapy, the service could be an initial treatment covering several days and then once per month; others may be three visits at start of care then only annual reevaluation. The number of visits is dependent on the therapy regimen and the treatment duration (i.e. for life or some shorter time frame). The reason for such high utilization is these patient infusions last up to 6 hours per treatment and/or the patient is not homebound. As such, the more traditional home health agency providing intermittent services for the homebound is not generally staffed for nor compensated for under Medicare guidelines such long nursing visits. Ongoing, Coram has significant challenges to find nursing services for these patients resulting in these patients remaining in the hospital for an unnecessary prolonged period, having the patient travel to his/her physician office for Coram to meet the patient in that setting or having the patient travel to another licensed location – all creating hardship on the patient and family.

For the balance of Coram's therapy patients, it is estimated that 5 percent of those patients will require infusion nursing provided by Coram's home health agency. Similarly, this patient estimate is based on the Applicant's assessment of its patient case load and the challenges it regularly faces in admitting a patient to the pharmacy service that cannot obtain at home support to initiate the infusion therapy. Depending on the therapy, each patient will receive four visits per month on average.

Extrapolating the above utilization assumptions and applying them to the estimated future monthly census of infusion therapy patients results in a computed approximate 22 percent of Coram's pharmacy patients requiring skilled nursing services be provided by Coram. Coram herein provides the information and patient counts/visits regarding the types of cases that it will treat as part of its home infusion nursing services. All home health visits will be skilled nursing as noted in the following table:

| <i>Factor</i> | <i>Year One</i> | <i>Year Two</i> |
|--|-----------------|-----------------|
| Number of Home Health Patients | 207 | 228 |
| <i>Skilled Home Health Visits by Infusion Therapy Type</i> | | |
| Aralast Alpha-Proteinase Inhibitor | 300 | 330 |
| Immunoglobulin IV | 277 | 305 |
| Immunoglobulin Subcutaneous | 150 | 165 |
| Investigational Drug | 66 | 73 |
| Zemaira Alpha Proteinase Inhibitor | 400 | 440 |
| Other Specialty | 31 | 33 |
| Subtotal | 1,224 | 1,346 |
| All Other (TPN, Antibiotics, Etc) | 551 | 606 |
| Total Annual Skilled Nursing Visits | 1,775 | 1,952 |

Regarding support from the provider community, the Applicant has received letters of support from existing infusion therapy referral sources who recognize the need for Coram to be licensed to realize more effective and appropriate hospital discharges. These letters include specialty physicians, patients and others. Sentiments from these letters supporting the need for this CON application's approval include the following:

"...The typical home health agency nurse, not certified in Infusion Services, does not understand the importance of pharmacokinetics like the Coram nurses do. ... impacted my patient... This example is not in isolation; I regularly have other such circumstances."

"...It is important to me that Coram's requested certificate of need be approved This will improve by patient's quality of care and these patient outcomes."

"...I am well aware that Coram spoke with eleven different agencies – all of whom denied me the needed training and treatment. This delay caused my much anxiety. I can't imagine that it didn't also increase my treatment costs to the healthcare system."

"...Having treatment needs is hardship enough on a patient. Not being able to reasonably access treatment in a timely manner is even worse."

"...Had Coram had its limited home health agency license, the healthcare systems cots would have been less as (1) I would not have had to had an extra procedure; (2) I could have fixed the problem without outside intervention; (3) the quality of my treatment and experience would have been improved; and (4) outcomes would have been improved."

"...the additional costs I incurred and additional hardships and recovery from the procedure I had to endure would have been avoided."

"...My patients who require immunoglobulin therapy do not have adequate services available to them..."

"...When my patients who require IVIG therapy, and the most appropriate quality of care site to administer is the home, the availability of this service is virtually non-existent."

"...The licensed home health agencies serving our area are not proficient in IVIG therapy, are not familiar with first dose protocols and are generally not available to provide a nursing visit that lasts five to six hours which my patients require."

"...Typically, the patient I am referring (to Coram) carry the diagnosis of primary immune deficiency. As you can understand, it is in general in the patient's best interest, with hypogammaglobulinemia, to avoid hospital settings and sick contact. An ideal approach is for these patients to have treatments provided in the home when possible. Unfortunately, it is rare to find a home health agency willing to provide these services in the home, especially for pediatric patients. It is even a more difficult problem to find a home health agency willing to provide infusion nursing services for specialized infusion products such as IVIG, typically due to lack of qualified nursing or inexperience in dealing with patients carrying diagnoses of primary immune deficiency."

"...I have dealt with Coram in the past; and the need for skilled nursing services for this population of patients is a current great need that is inadequately met."

Please refer to Section C, Home Health Services, Item 5 for the letters of support provided by referral sources and these other knowledgeable parties in the service area.

It is clear from these letters that the appropriate home infusion nursing services required by these infusion therapy patients is not readily available throughout the West Tennessee service area. Existing agencies do not meet the needs of these patients, due to the fact that some of the services do not qualify for Medicare/Medicaid provision meeting the conditions of participation; some of the services are so atypical of the reimbursement methodology associated with short term intermittent nursing treatment; and some of the nursing services are a relocation of in hospital care to the patient home to provide a more cost effective, patient oriented service.

Approving the Coram CON application for a restricted home health license will have a positive effect on the quality of care available to the area population, will improve the discharge options available to area hospitals, will enhance quality of care through more prompt and cost effective discharge of patients and will meet a demonstrated need for infusion nursing services throughout the region.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED: HOME HEALTH SERVICES

- 6. The proposed charges shall be reasonable in comparison with those of other similar facilities in the service area or in adjoining service areas.**
- a. The average cost per visit by service category shall be listed.**
- b. The average cost per patient based upon the projected number of visits per patient shall be listed.**

The average cost per skilled nursing visit for the Applicant is forecasted to be \$133 in 2015 (year one) dollars. This is computed based on taking projected data chart total costs and dividing by the number of visits. It is based upon a mix of patients as described previously with some portion of the visits lasting up to six hours, or three times as long as the typical visit duration. Evaluating cost per visit based on the typical visit versus the six hour visit, the Applicant's estimated costs per visit are approximately \$116 and \$348, respectively.

In considering the charge per visit of home health agencies operating within the service area, the average for a skilled nursing visit for the agencies listed in response to Section C, Need, Question 5, per the 2013 Joint Annual Report Summary had a range per skilled visit from a low of \$81 to a high of \$155. Only eight agencies reported this information which is provided by agency in the following table:

| <i>Agency Name</i> | <i>2013 Charge Per Skilled Visit</i> |
|--|--------------------------------------|
| Tennessee Quality Homecare – Northwest (Benton) | \$90 |
| Tennessee Quality Homecare – Southwest (Decatur) | \$90 |
| Volunteer Homecare of West TN, Inc. (Decatur) | \$120 |
| Volunteer Home Care, Inc. (Gibson) | \$120 |
| Acredo Health Group (Shelby) | \$90 |
| Baptist Trinity Home Care – Private Pay (Shelby) | \$155 |
| Interim Healthcare of Memphis, Inc. (Shelby) | \$95 |
| Maxim Healthcare Services, Inc. (Shelby) | \$81 |

Source: Report 3 from the 2013 Joint Annual Report Summary.

The above averages \$105 per visit in 2013 dollars. This contrasts with the charge per visit of \$150 proposed by the Applicant. Adjusting for two years inflation to be presented in 2015 dollars increases the above average to approximately \$116 per visit.

In terms of cost per visit, the same Report 3 from the Joint Annual Report Summary provides cost per visit for skilled care. Thirty nine agencies reported this information which is presented in the following table:

| <i>Agency Name</i> | <i>2013 Cost Per Skilled Visit</i> |
|---|------------------------------------|
| Tennessee Quality Homecare – Northwest (Benton) | \$53 |
| Baptist Memorial Home Care (Carroll) | \$312 |
| Tennessee Quality Homecare – Southwest (Decatur) | \$47 |
| Volunteer Homecare of West Tennessee, Inc. (Decatur) | \$81 |
| Regional Home Care , Dyersburg (Dyer) | \$101 |
| NHC Homecare (Fayette) | \$128 |
| Where The Heart Is, Inc. (Fayette) | \$53 |
| NHC Homecare (Gibson) | \$99 |
| Volunteer Home Care, Inc. (Gibson) | \$88 |
| Deaconess Homecare II (Hardin) | \$160 |
| HMC Home Health, LLC (Hardin) | \$109 |
| Regional Home Care, Lexington (Henderson) | \$60 |
| Henry County Medical Center Home Health (Henry) | \$158 |
| Amedisys Home Health Care (Madison) | \$43 |
| Intrepid USA Healthcare Services (Madison) | \$153 |
| Lifeline of West Tennessee (Madison) | \$108 |
| Medical Center Home Health, LLC (Madison) | \$95 |
| Regional Home Care, Jackson (Madison) | \$99 |
| Extendicare Home Health of Western Tennessee (Obion) | \$105 |
| Amedisys Home Care (Shelby) | \$58 |
| Amedisys Home Health (Shelby) | \$53 |
| Amedisys Home Health Care (Shelby) | \$54 |
| Americare Home Health Agency, Inc. (Shelby) | \$150 |
| Baptist Trinity Home Care (Shelby) | \$158 |
| Best Nurses, Inc. (Shelby) | \$125 |
| Extended Health Care, Inc. (Shelby) | \$150 |
| Family Home Health Agency (Shelby) | \$135 |
| Functional Independence Home Care, Inc. (Shelby) | \$160 |
| Home Health Care of West Tennessee, Inc. (Shelby) | \$98 |
| HomeChoice Health Services (Shelby) | \$87 |
| Interim Healthcare of Memphis, Inc. (Shelby) | \$70 |
| Intrepid USA Healthcare Services (Shelby) | \$136 |
| Methodist Alliance Home Care (Shelby) | \$160 |
| Senior Services Home Health (Shelby) | \$130 |
| Still Waters Home Health Agency (Shelby) | \$70 |
| Willowbrook Visiting Nursing Association, Inc. (Shelby) | \$130 |
| Baptist Home Care and Hospice – Covington (Tipton) | \$197 |
| CareAll Homecare Services (Tipton) | \$69 |
| CareAll Homecare Services (Weakley) | \$65 |

Source: Report 3 from the 2013 Joint Annual Report Summary.

The above averages \$111 per visit in 2013 dollars. This contrasts with the cost per visit of \$133 proposed by the Applicant which is higher due to the long length of the specialty visits, i.e. 5 to 6 hours.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

c. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

This CON application is for a limited service home health agency. Therefore this criterion does not apply.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

- 2. *Describe the relationship of this project to the applicant facility's long-range development plans, if any.***

The Applicant is a licensed pharmacy serving West Tennessee. This project relates to its current and future operations in that it will enable more rapid hospital discharge and infusion therapy admission for patients who are otherwise ready to go home from the hospital except for availability of skilled infusion nursing services. The limited service home health license will enable Coram to more effectively and expeditiously meet the needs of its infusion therapy patients. On a long term basis, it will enable Coram to better contribute to the adequate and cost effective delivery of healthcare services in West Tennessee.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

3. ***Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).***

This CON application seeks approval to provide limited home health services (infusion nursing and related skilled services) from its Memphis Branch and in the following 25 West Tennessee counties:

| | | | |
|----------|-----------|------------|---------|
| Benton | Gibson | Houston | Perry |
| Carroll | Hardeman | Lake | Shelby |
| Chester | Hardin | Lauderdale | Stewart |
| Crockett | Haywood | Madison | Tipton |
| Decatur | Henderson | McNairy | Wayne |
| Dyer | Henry | Obion | Weakley |
| Fayette | | | |

The geographic area represented by these counties spans from the Tennessee-Arkansas/Missouri state line on the west to the communities of Dover, Erin, Camden, Linden, Waynesboro along the east, Shelby County and Memphis to the southwest, the western Tennessee-Mississippi state line on the south, and the western Tennessee-Kentucky state line on the north. A map depicting these counties relative to the State of Tennessee is included in Attachment, Section B, Project Description, Item V.

Determination of the service area was completed based on a detailed assessment of Coram's Memphis Branch Patient Records to identify the county of residence of most of its patients. The limited number of Memphis Branch's patients who did not live in this service area resided out of state or with a few in the eastern or middle portions of the state. These in state residents who received initial services from the Memphis Branch were rapidly transferred to Coram's branches in Knoxville and Nashville and not served ongoing. This residency assessment was coupled with the location of the Branch's referral sources and its community liaison staff, all of which are dispersed throughout the defined 25 county service area.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

4. A. Describe the demographics of the population to be served by this proposal.

The defined service area for Coram's proposed limited service home health agency is 25 counties consolidated throughout West Tennessee. This service area definition was derived from an analysis of the patients currently being served by Coram's Memphis Branch and the geographic designation from which it currently receives its Tennessee patient referrals for infusion therapy products. Patients who are referred from local hospitals to Coram's Memphis Branch who live outside these 25 counties will be referred to Coram's other branches (Knoxville and Nashville) in the state for services.

In the following table is the current (2013) population as estimated by the Tennessee Office of the Governor, forecasted four years from current (2014) to 2018.

| Service Area County | Population | | Percent Change 2013-2018 |
|---------------------|------------|-----------|-----------------------------|
| | 2013 | 2018 | |
| Benton | 16,315 | 16,104 | -1.3% |
| Carroll | 28,213 | 27,831 | -1.4% |
| Chester | 17,355 | 17,999 | 3.7% |
| Crockett | 14,568 | 14,683 | 0.8% |
| Decatur | 11,773 | 12,080 | 2.6% |
| Dyer | 38,205 | 38,427 | 0.6% |
| Fayette | 40,081 | 44,888 | 12.0% |
| Gibson | 50,748 | 52,163 | 2.8% |
| Hardeman | 26,492 | 26,067 | -1.6% |
| Hardin | 25,968 | 26,244 | 1.1% |
| Haywood | 18,199 | 18,009 | -1.0% |
| Henderson | 28,080 | 28,631 | 2.0% |
| Henry | 32,595 | 32,956 | 1.1% |
| Houston | 8,358 | 8,447 | 1.1% |
| Lake | 9,795 | 9,468 | -3.3% |
| Lauderdale | 27,465 | 27,125 | -1.2% |
| McNairy | 26,408 | 27,299 | 3.4% |
| Madison | 99,153 | 101,001 | 1.9% |
| Obion | 31,536 | 31,222 | -1.0% |
| Perry | 7,971 | 8,096 | 1.6% |
| Shelby | 940,972 | 954,012 | 1.4% |
| Stewart | 13,436 | 13,941 | 3.8% |
| Tipton | 63,001 | 67,545 | 7.2% |
| Wayne | 16,887 | 16,724 | -1.0% |
| Weakley | 38,255 | 39,491 | 3.2% |
| Total | 1,631,829 | 1,660,453 | 1.8% |

Source: Tennessee Department of Health, Office of Policy, Planning and Assessment, Division of Health Statistics, 2014 Revision.

The defined service area currently has 1.632 million persons which are estimated to increase by 1.8 percent to 1.66 million between 2013 and 2018. This is lower than the 4.7 percent expected statewide. With respect to the under 65 and older population, the primary patient focus of this CON application, the 25-county service area is virtually flat while the State is increasing, as reflected in the table below. Notably, however, the portion of the population under the age of 65 is greater in the service area, currently and five years into the future.

| Demographic Data | 25 County Service Area | State of TN |
|---|-------------------------------|--------------------|
| Total 2013 Population | 1,631,829 | 6,528,014 |
| Total Population, 2018 | 1,660,453 | 6,833,509 |
| Total 2018 Population Change (5 Year) | 28,624 | 305,495 |
| Under 65 Population, 2013 | 1,413,719 | 5,577,837 |
| Under 65 Population, 2018 | 1,407,623 | 5,731,096 |
| Under 65 Population Change (5 Year) | -6,096 | 153,259 |
| Under 65 Population % of Total Population, 2013 | 86.6% | 85.4% |
| Under 65 Population % of Total Population, 2018 | 84.8% | 83.9% |
| Median Household Income, 2014 | \$41,684 | \$43,390 |
| TennCare Enrollees, 2014 (as of Jan) | 372,094 | 1,190,766 |
| TennCare Enrollees as a % of Total Population, 2013 | 22.8% | 18.2% |
| Persons Below Poverty Level, 2013 estimate | 330,972 | 1,135,205 |
| % of Total Population Below Poverty Level | 20.3% | 17.4% |

Sources: Population from Tennessee Department of Health, Tennessee Counties and the State; TennCare Enrollees from TennCare latest published data (May 2013); Median Household Income from Claritas, Inc.; and, Percent Poverty Level from U.S. Government as of December 2013 and applied to Tennessee projections of population.

Also presented in the above table is economic information of the service area contrasted with the State. Within the service area, median household income is less than the statewide equivalent, the portion of population below the poverty level is about 16 percent higher and the portion of TennCare enrollees is about 25 percent higher. This indicates a less favorable economic environment in West Tennessee than the State overall, providing more compelling information to establish cost effective healthcare delivery systems providing care in less intense environments such as the home.

These demographic and economic factors demonstrate a need for affordable healthcare and demand a decrease in costs in healthcare delivery. This application is responsive in that it is based on the demonstrated needs of the existing population for whom Coram has identified a gap in service and an access problem related to infusion nursing visits in the home. Coram's patients are quantified within the existing population (demographic and economic factors) of the counties identified above; the identified problem will only be exacerbated without the approval of this CON application.

While traditional Medicare certified home health agencies primarily service the elderly, this will not be the case with Coram's services as proposed via this CON application. In fact, analysis of the Coram Memphis Branch infusion patients, who will become its skilled nursing patients, for the past three years indicate the following age dispersion:

| Age Group | Q1-2013 | Q2-2013 | Q3-2013 | Q4-2013 | CY 2013 |
|----------------------|---------|---------|---------|---------|---------|
| <1 Yr | 7 | 10 | 6 | 11 | 34 |
| 1 to 16 | 13 | 8 | 9 | 11 | 41 |
| 17 to 29 | 21 | 16 | 13 | 18 | 68 |
| 30 to 49 | 50 | 53 | 41 | 43 | 187 |
| 50 to 64 | 74 | 70 | 79 | 50 | 273 |
| 65 to 74 | 25 | 37 | 43 | 34 | 139 |
| 75 and Older | 17 | 15 | 14 | 25 | 71 |
| Total | 207 | 209 | 205 | 192 | 813 |
| Percent Under Age 65 | 79.7% | 75.1% | 72.2% | 69.3% | 74.2% |
| Percent 65 and Older | 20.3% | 24.9% | 27.8% | 30.7% | 25.8% |

Source: Corameters Management Report, Memphis Branch, 2/19/2014

In contrast with the average Medicare certified home health agency, actual age dispersion of patients in West Tennessee obtained from the 2013 Joint Annual Report Summary indicates that in the 25 county Service Area, 68 percent of patients are older than age 65 (versus 25.8 percent above). More dramatic is the age distribution of the elderly. Service Area wide, the 75 and older home health services population accounts for 47 percent of all patients. In contrast, only about 9 percent of Coram's patients in its Memphis Branch are 75 years of age or older. In essence, just one in twelve Coram patients is 75+ versus one in two at a typical home health agency.

The patient to be served by Coram's home health infusion nursing service will be primarily under the age of 65. Furthermore, these patients will be either privately insured, self pay or uncompensated. In fact, it is not Coram's intent to obtain Medicare certification for its home health services. Rather it will rely on the available Medicare home health agencies in West Tennessee to meet that client's needs, unless otherwise requested. To demonstrate the difference in patient population, actual visits by payor was obtained from the 2013 Joint Annual Report Summary. This indicates that within the West Tennessee service area nearly 80 percent of the home health agency visits were for Medicare and Medicare HMO clients. And Medicare/Medicare HMO combined with TennCare totals approximately 85 percent of visits. This will contrast with the service proposed via this CON application which will provide no Medicare or TennCare home health visits.

The service proposed to be provided by Coram is strictly limited to skilled nursing visits and specifically infusion related. Again, in analyzing the existing licensed home health agencies in West Tennessee, fifty six percent of those agencies' visits were not skilled nursing visits; just 44 percent were skilled nursing visits. Breakdown by type of skilled visits is not available. However, based on the Applicant's identification of difficulty

accessing home infusion nursing support, it is likely that infusion nursing only comprises a very very small portion of the 44 percent skilled visits. In contrast to available home health agencies, Coram will be different. It will be 100 percent skilled and of the skilled it will be 100 percent infusion nursing and related services.

As demonstrated above, the age profile, payor profile and needs of the Coram infusion nursing patient will differ dramatically from the patient served by the existing home health agencies within the 25 county service area and Statewide.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The population to be served by Coram via this CON application is unique in contrast to other home health agencies. The patient profile is derived from Coram's existing patient profile as those are the persons who will receive infusion nursing services in the home. As noted previously, Coram estimates approximately 22 percent of its ongoing census will have a need for infusion nursing services provided by Coram. These patients are specialized with special needs. They include patients with compromised immune system or auto immune disorders, transplant patients, congestive heart failure patients, patients who cannot consume nutrition or food via regular intake, hemophiliacs or patients with other blood clotting disorders, patients with progressive emphysema, among others.

The specialized needs of these patients can be met via Coram's provision of infusion therapy products in the home, supported by Coram's proposed infusion nursing services which will include patient/family education for self administration. Benefits of home infusion depending on the patient include, but are not limited to, the following:

- Earlier hospital discharge, or hospital avoidance
- Positive outcomes
- Multiple drug therapies managed by experience clinicians in the home
- First dosing protocols in the home
- PICC line and IV access management
- Trended lab results
- Therapeutic drug monitoring and pharmacokinetic drug dosing
- Education materials which include pictures and written step by step instructions
- Personalized training by nurse clinicians
- Nursing visits to reassess techniques and reinforcement training as needed
- 24-hour access to Coram clinicians
- Patient service representative to act as the patient's liaison

Relative to the patient profile, Coram expects that five percent of its patients will be medically indigent with Coram providing the nursing service free of charge (charity care), other persons will not be able to afford their treatment but not considered charity care and the balance covered by either self pay or third party payor. The majority of the patients will be under the age of 65, many of whom are still working and therefore can not afford to not receive in home services and self administration education.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

5. ***Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.***

Coram Alternate Site Services, Inc. proposes to become a restricted license home health service, and under this license only provide infusion nursing and related services in the patient home. This is unique in contrast with the Medicare certified home health agencies available in West Tennessee. Uniqueness is attributable to the following factors: (1) restricted license to only provide infusion nursing and related services; (2) not Medicare or Medicaid certified; (3) patients primarily under the age of 65; (4) patient may not be home bound but the service is more appropriate in the home (due to cost, compromised immune system, accessibility, education/training, etc.); (5) without availability of Coram's services, many patients remain in the hospital unnecessarily; (6) Coram's certified nurse infusion professionals; (7) Coram's education and training of Medicare certified agencies to assume the patient population when appropriate; (8) Coram's first dose policy/protocol; among others.

While this proposal is unique and therefore not directly competitive with existing licensed home agencies in the Service Area, in accordance with information requested in this question, the following table provides the names and utilization (visits) for home health agencies listed in the Joint Annual Report Summary as being existent in one of the 25 counties defined as the Coram Alternate Site Services Service Area:

| <i>Licensed Agency</i> | <i>County</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i># of Svc Area Counties</i> |
|--------------------------------------|---------------|-------------|-------------|-------------|-------------------------------|
| Professional Case Management of TN | Anderson | 0 | 1 | 0 | 0 |
| Tennessee Quality Homecare – NW | Benton | 824 | 837 | 824 | 8 |
| Baptist Memorial Home Care & Hospice | Carroll | 235 | 213 | 260 | 8 |
| Alere Women's and Children's Health | Davidson | 1 | 1 | 1 | 1 |
| Amedisys Home Hlth (Cumberland Bend) | Davidson | 78 | 79 | 114 | 2 |
| Elk Valley Health Services Inc | Davidson | 47 | 50 | 74 | 19 |
| Home Care Solutions, Inc | Davidson | 29 | 18 | 7 | 1 |
| Willowbrook Home Health Care Agency | Davidson | 1 | 1 | 1 | 1 |
| Tennessee Quality Homecare – SW | Decatur | 1,195 | 964 | 912 | 8 |
| Volunteer Homecare of West Tennessee | Decatur | 1,299 | 1,260 | 1,313 | 9 |
| Regional Home Care, Dyersburg | Dyer | 744 | 814 | 707 | 6 |
| NHC Homecare | Fayette | 254 | 216 | 579 | 7 |
| Where The Heart Is | Fayette | 253 | 285 | 116 | 3 |
| Amedisys Home Care (NHC in 2010) | Gibson | 479 | 625 | 569 | 12 |
| Volunteer Home Care, Inc | Gibson | 2,486 | 2,975 | 3,000 | 12 |
| Deaconess Homecare II | Hardin | 1,117 | 1,153 | 1,216 | 9 |

| <i>Licensed Agency</i> | <i>County</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i># of Svc Area Counties</i> |
|--|---------------|-------------|-------------|-------------|-------------------------------|
| HMC Home Health (Extendicare 2010) | Hardin | 252 | 274 | 341 | 5 |
| Regional Home Care – Lexington | Henderson | 678 | 616 | 569 | 8 |
| Henry County Medical Center Home Hlth | Henry | 354 | 401 | 363 | 5 |
| Hickman Community Home Care, Inc | Hickman | 2 | 0 | 3 | 1 |
| Amedisys Home Health Care | Madison | 2,489 | 2,586 | 2,741 | 18 |
| Extendicare Home Health of West TN | Madison | 962 | 993 | 0 | 0 |
| Intrepid USA Healthcare Services | Madison | 294 | 86 | 422 | 15 |
| Lifeline of West Tennessee | Madison | 0 | 0 | 1,085 | 20 |
| Medical Center Home Health | Madison | 1,403 | 1,617 | 1,706 | 14 |
| Regional Home Care, Jackson | Madison | 1,206 | 1,061 | 1,159 | 14 |
| Careall Homecare Services | Maury | 16 | 16 | 104 | 4 |
| Maury Regional Home Services | Maury | 4 | 4 | 1 | 1 |
| NHC Homecare | Maury | 31 | 22 | 50 | 4 |
| Gateway Home Health Clarksville | Montgomery | 84 | 176 | 82 | 2 |
| Suncrest Home Health of Nashville, Inc. | Montgomery | 53 | 32 | 42 | 2 |
| Extendicare Home Health of Western TN | Obion | 398 | 347 | 81 | 3 |
| Amedisys | Overton | 0 | 0 | 221 | 1 |
| Highland Rim Home Health Agency | Putnam | 0 | 0 | 4 | 1 |
| NHC Homecare | Rutherford | 0 | 0 | 88 | 1 |
| Accredo Health Group | Shelby | 9 | 14 | 12 | 1 |
| Alere Women's & Children's Hlth | Shelby | 357 | 370 | 373 | 7 |
| Amedisys Home Care | Shelby | 882 | 938 | 1,061 | 3 |
| Amedisys Home Health | Shelby | 2,411 | 1,806 | 1,933 | 3 |
| Amedisys Home Health Care | Shelby | 576 | 683 | 936 | 3 |
| Americare Home Health Agency | Shelby | 1,324 | 1,727 | 1,811 | 2 |
| Baptist Trinity Home care | Shelby | 3,248 | 3,367 | 3,862 | 3 |
| Baptist Trinity Home care - Private Pay | Shelby | 1 | 1 | 0 | 0 |
| Best Nurses | Shelby | 311 | 366 | 364 | 1 |
| Elder Care | Shelby | 780 | 341 | 79 | 1 |
| Family Home Health Agency | Shelby | 375 | 863 | 379 | 1 |
| Functional Independence Home Care | Shelby | 725 | 804 | 953 | 3 |
| Home Health Care of West Tennessee | Shelby | 1,308 | 1,118 | 1,010 | 4 |
| Homechoice Health Services | Shelby | 2,037 | 1,164 | 861 | 6 |
| Interim Healthcare of Memphis | Shelby | 720 | 889 | 769 | 3 |
| Intrepid USA Healthcare Services | Shelby | 662 | 615 | 603 | 3 |
| Maxim Healthcare Services | Shelby | 103 | 197 | 155 | 6 |
| Methodist Alliance Home Care | Shelby | 2,958 | 2,939 | 2,935 | 3 |
| No Place Like Home | Shelby | 38 | 55 | 58 | 3 |
| Senior Services Home Health | Shelby | 642 | 697 | 609 | 1 |
| Still Waters Home Health Agency | Shelby | 105 | 127 | 101 | 1 |
| Willowbrook Visiting Nurse Association | Shelby | 473 | 533 | 479 | 5 |
| Baptist Home Care/Hospice - Covington | Tipton | 326 | 361 | 355 | 6 |
| Prof'l Home Hlth Care (CareAll 2010) | Tipton | 1,491 | 1,103 | 1,305 | 12 |
| Careall Homecare Svcs/Univ. Home Hlth | Weakley | 1,755 | 2,440 | 1,897 | 11 |
| Guardian Home Care of Nashville, LLC | Williamson | 44 | 47 | 49 | 2 |
| Vanderbilt HC Affiliated w/ Walgreens IV | Williamson | 0 | 0 | 3 | 2 |
| Careall | Wilson | 2 | 0 | 0 | 0 |
| Magnolia Regl Hlth Ctr HH & Hospice | Out of State | 39 | 53 | 43 | 2 |
| Regional Home Care Parkway | Out of State | 31 | 14 | 28 | 1 |
| Total | | 41,001 | 41,356 | 41,778 | -- |

Source: Joint Annual Report of Home Health Agencies, Attachment C, pages 6 through 10. Patients Serviced for the Service Area Counties per the Joint Annual Report Summary as reported in Report #6. The Number of Service Area Counties represent those counties within the Coram West Tennessee Service Area in which each home health agency had patients during 2013.

- As noted, while these agencies are listed, their patients are 85 percent Medicare/Medicare HMO/TennCare, which Coram will not serve. They are 56 percent non-skilled or therapy visits, which Coram will not serve. They are 44 percent skilled visits of which only a small fraction if any at all are infusion type patients. Furthermore, as the Service Area Study indicates, area home health agencies do not generally provide first dose therapies, IVIG or Alpha1 therapies.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

NEED

6. ***Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.***

Following is the most recent three year infusion therapy product activity for the Applicant's Memphis Branch licensed pharmacy:

| <i>Factor</i> | <i>CY 2011</i> | <i>CY 2012</i> | <i>CY 2013</i> |
|---------------------------------|----------------|----------------|----------------|
| Infusion Therapy Patients | 1,043 | 966 | 820 |
| Infusion Therapy Patient Months | 1,948 | 1,804 | 1,532 |

The above patients represent the number of patients who received infusion products from Coram's Memphis Branch (licensed pharmacy) during the past three calendar years. The average length of stay (therapy product duration) of the infusion patients is approximately two months.

In the following table is the two forecasted years for the infusion product patients following completion of the project, which will be two years beginning January 2015. The infusion nursing patients to be treated by the home health agency upon licensure are a subset of the infusion therapy patients budgeted for the next two years in this table. The forecasted skilled nursing patients and visits and the supporting methodology follow the table.

| | <i>Before Project</i> | <i>After Project Completion</i> | |
|---------------------------------|-----------------------|---------------------------------|-----------------|
| <i>Factor</i> | <i>2013</i> | <i>Year One</i> | <i>Year Two</i> |
| Infusion Therapy Patients | 820 | 911 | 1,002 |
| Infusion Therapy Patient Months | 1,532 | 1,804 | 1,984 |

To estimate the number of infusion nursing patients and their related skilled visits for the forecast period, the Applicant considered the types of infusion therapy products which comprise the patient therapies and the average monthly census in the above table as well as the hardship the Applicant has encountered in various situations throughout West Tennessee in obtaining qualified infusion nursing services from other third parties. This affected the analysis because Coram is not intending on competing with existing available services but rather responding to a community need based on the gap in service which equates to a lack of availability or accessibility of infusion nursing services.

As noted previously, there are primary differences between two types of Coram patients. One is the more typical infusion therapy patient receiving antibiotics, TPN, pain management, cardiac and the like; the other is the specialty patient receiving

immunoglobulin or alpha 1 therapies. The former therapies comprise 84 percent of Coram's services; the specialty patients comprise 16 percent of the therapies provided. In terms of estimated requirement for infusion nursing services, it is estimated that 100 percent of the specialty patients will require the service. The reason for such high utilization is these patient infusions last up to 6 hours per treatment and/or are not homebound. As such, the more traditional home health agency providing intermittent services is not generally staffed for nor compensated for under Medicare guidelines such long nursing visits.

Ongoing, Coram has significant challenges to find nursing services for these patients resulting in these patients remaining in the hospital for an unnecessary prolonged period, having the patient travel to his/her physician office for Coram to meet the patient in that setting or having the patient travel to another licensed location – all creating hardship on the patient and family.

For the balance of Coram's therapy patients, it is estimated that just 5 percent of those patients will require infusion nursing provided by Coram's home health agency. Similarly, this patient estimate is based on the Applicant's assessment of its patient case load and the challenges it regularly faces in admitting a patient to the pharmacy service that can not obtain at home support to initiate the infusion therapy. Depending on the therapy, each patient will receive between two and four visits per month.

Extrapolating the above utilization assumptions and applying them to the estimated monthly census of infusion therapy patients results in a computed approximate 22 percent of Coram's pharmacy patients requiring skilled nursing services be provided by Coram. In the following table are the total number of home health patients and visits for each of the first two forecast years:

| <i>Factor</i> | <i>Year One</i> | <i>Year Two</i> |
|--|-----------------|-----------------|
| Number of Home Health Patients | 207 | 228 |
| <i>Skilled Home Health Visits by Infusion Therapy Type</i> | | |
| Aralast Alpha-Proteinase Inhibitor | 300 | 330 |
| Immunoglobulin IV | 277 | 305 |
| Immunoglobulin Subcutaneous | 150 | 165 |
| Investigational Drug | 66 | 73 |
| Zemaira Alpha Proteinase Inhibitor | 400 | 440 |
| Other Specialty | 31 | 33 |
| Subtotal | 1,224 | 1,346 |
| All Other (TPN, Antibiotics, Etc) | 551 | 606 |
| Total Annual Skilled Nursing Visits | 1,775 | 1,952 |

As noted in the above table, the forecasted patients in years one and two are 207 and 228, respectively. Visits total 1,775 in year one and 1,952 in year two. This results in an average of approximately eight visits per patient. This is yet another differentiating factor between the Medicare certified home health agency and the Coram proposed restricted service agency.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**
 - For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

The Project Cost Chart is provided on the following page. Assumptions supporting each of the line items immediately follow the chart.

PROJECT COST CHART

A Construction and equipment acquired by purchase:

| | |
|--|----------|
| 1 Architectural and Engineering Fees | \$0 |
| 2 Legal, Administrative (Excluding CON Fee), Consultants Fee | \$95,000 |
| 3 Acquisition of Site | \$0 |
| 4 Preparation of Site | \$0 |
| 5 Construction Costs | \$0 |
| 6 Contingency Fund | \$0 |
| 7 Fixed Equipment (not in Construction Contract) | \$0 |
| 8 Moveable Equipment (List all equipment over \$50,000) | \$0 |
| 9 Other (Specify) <input type="text"/> | \$0 |

B Construction and equipment acquired by purchase:

| | |
|---|-----|
| 1 Facility (inclusive of land and building) | \$0 |
| 2 Building Only | \$0 |
| 3 Land Only | \$0 |
| 4 Equipment (Specify) <input type="text"/> | \$0 |
| 5 Other (Specify) <input type="text"/> | \$0 |

C Financing Costs and Fees

| | |
|--|-----|
| 1 Interim Financing | \$0 |
| 2 Underwriting Costs | \$0 |
| 3 Reserve of One Year's Debt Service | \$0 |
| 4 Other (Specify) <input type="text"/> | \$0 |

D Estimated Project Cost (A+B+C) \$95,000

E CON Filing Fee \$3,000

F Total Estimated Project Cost (D+E) **TOTAL** \$98,000

Project Cost Chart, Underlying Assumptions

The underlying assumptions for the Project Cost Chart on the preceding pages are summarized in the following paragraphs.

- Line A 1, Architectural and Engineering Fees: Not applicable as there is no design and construction involved in this project.
- Line A 2, Legal, Administrative, Consultants Fee: These costs represent legal, administrative and consulting associated with preparing and filing the CON application including a contingency for such costs and the home health license application fee of \$1,080. There are no pre-opening costs as the existing operations have the infrastructure necessary to add the limited home health services without the additional of any support personnel or additional physical space.
- Line A 3, Acquisition of Site: Not applicable as the service will be incorporated into the existing leased space at 1680 Century Center Parkway, Suite 12, Memphis, TN 38134.
- Line A 4, Preparation of Site: Not applicable as there is no design and construction involved in this project.
- Line A 5, Construction Costs: Not applicable as there is no design and construction involved in this project.
- Line A 6, Contingency: Not applicable as there is no design and construction involved in this project.
- Line A 7, Fixed Equipment: Not applicable as there is no design and construction involved in this project.
- Line A 8, Moveable Equipment: Not applicable as there is no addition of infrastructure to house the nurses and the infusion equipment is already owned by Coram and housed at its offices.
- Line A 9, Other: Not applicable.
- Line B 1 through 5: This is not applicable.
- Line C 1 through 4: This is not applicable as the costs of implementing the program are being funded from cash reserves.
- Line D: This is the subtotal of A, B and C above.
- Line E: This is the applicable CON application fee payable to the State of Tennessee.
- Line F: This is total project costs.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

The project proposed by the Applicant will be funded from cash reserves. As demonstrated in the Historical Data Chart, the Applicant generates more than sufficient Net Operating Income to fund the minimal costs associated with establishing the limited service home health agency. Additionally, Michael E. Dell, Senior Vice President, General Counsel and Secretary, has provided a letter indicating the project will be funded from cash reserves. This is provided in Attachment, Section C, Economic Feasibility, Item 2. Included within Attachment, Section A, Item 4.2 is the Applicant's ultimate parent's audited financial statements which clearly demonstrate adequate funding available for the project as proposed.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.***

The project costs for the proposed limited service home health agency are restricted to Line A 2, legal, administrative and consulting fees and Line E, the CON application fee. The existing infrastructure of the licensed pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee will also house the home health agency. There is no construction, renovation, expansion or additional resources required to add this service as the space is fully functioning and has the management and support personnel to assume responsibility for the home health agency services.

Administrative, legal and consulting fees are based on costs incurred to prepare the CON application, anticipated costs to be incurred up through the HSDA hearing on this matter and the home health licensing fee, along with some contingency. The CON application fee is based on the minimum filing fee established by the HSDA of \$3,000. Combined, total project costs are \$98,000.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 4. *Complete Historical and Projected Data Charts on the following two pages – Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).***

The Historical Data Chart for the Existing Operation of Coram Alternate Site Services, Inc. is included on the following page. The three most recent years of operation are calendar years 2011, 2012 and 2013. This chart presents the existing utilization and financial information for the licensed pharmacy operation discussed herein as the Memphis Branch.

The Historical Data Chart is for the pre-existing infusion pharmacy business only. All pharmacy revenues are booked at the contractual rates with the third party payers, rather than at an arbitrary list price with a contractual adjustment to the amount to contract. Accordingly, there are no contractual allowances shown in the Historical Data Chart for the existing infusion pharmacy business, nor in any future budgets for the existing infusion pharmacy business. As shown on the Historical Data Chart, the Memphis Branch generates positive net income sufficient to support the implementation of the home health service proposed via this CON application.

Following the Historical Data Chart is the Projected Data Chart. This chart provides the utilization and financial information for the first two years of operation of the home health agency service. As instructed, the Projected Data Chart included herein on page 82 presents only the proposed new service – the limited service home health agency. Immediately following the Projected Data Chart is a list of the assumptions supporting the projection.

The Projected Data Chart on page 82 of the application ONLY considers the projected infusion therapy home health agency volume. The gross charges are listed at an average of \$150 per visit based on mix of short and long duration visits; average reimbursement is expected to be \$133. Accordingly the \$17 differential in this calculation is reflected as a contractual allowance from third party payers, charity care and bad debt. This is for those payers other than Medicare or TennCare since the Applicant will not be participating or making claims to either of those payors for infusion home health services.

We also note that within Attachment, Section C, Economic Feasibility, Item 4 of this CON application, the Applicant included Projected Data Charts for the infusion pharmacy by itself and Projected Data Charts that consolidate the projections for the infusion pharmacy business line together with the projections for the infusion home health services line which shows contractual allowances for home health services but none for pharmaceutical, which, as noted above, is consistent with the Applicant's historical experience.

HISTORICAL DATA CHART - EXISTING MEMPHIS OPERATIONS

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in: January (month)

| Year | | 2011 | 2012 | 2013 |
|---|-----------------------|-------------|-------------|-------------|
| A Utilization Data | Patients | 1,043 | 966 | 820 |
| | Patient Months | 1,948 | 1,804 | 1,532 |
| | Nursing Visits | 0 | 0 | 0 |
| | Infusion Patients | | | |
| | Infusion Pt Months | | | |
| | Home Health RN Visits | | | |
| B Revenue from Services to Patients | | | | |
| 1 Inpatient Services | | | | |
| 2 Outpatient Services | | \$6,016,665 | \$5,619,668 | \$5,392,631 |
| 3 Emergency Services | | | | |
| 4 Other Operating Revenue | | | | |
| Gross Operating Revenue | | \$6,016,665 | \$5,619,668 | \$5,392,631 |
| C Deductions from Gross Operating Revenue | | | | |
| 1 Contractual Adjustments | | | | |
| 2 Provision for Charity Care | | \$59,571 | \$55,640 | \$53,392 |
| 3 Provisions for Bad Debt | | \$112,656 | \$221,269 | \$67,216 |
| Total Deductions | | \$172,227 | \$276,909 | \$120,608 |
| NET OPERATING REVENUE | | \$5,844,438 | \$5,342,759 | \$5,272,023 |
| D Operating Expenses | | | | |
| 1 Salaries and Wages | | \$1,344,288 | \$1,483,539 | \$1,374,241 |
| Benefits | | \$158,361 | \$179,422 | \$162,459 |
| 2 Physician Salaries and Wages | | \$0 | \$0 | \$0 |
| 3 Supplies | | \$24,319 | \$29,097 | \$25,832 |
| 4 Taxes | | \$19,530 | \$16,791 | \$22,732 |
| 5 Depreciation | | \$19,365 | \$10,392 | \$12,001 |
| 6 Rent | | \$79,760 | \$94,354 | \$105,466 |
| 7 Interest, Other than Capital | | \$0 | \$0 | \$0 |
| 8 Management Fees: | | | | |
| a. Fees to Affiliates | | \$0 | \$0 | \$0 |
| b. Fees to Non-Affiliates | | \$0 | \$0 | \$0 |
| 9 Other Expenses - Specify on Separate Page | | \$3,618,344 | \$3,282,733 | \$3,449,939 |
| Total Operating Expenses | | \$5,263,967 | \$5,096,328 | \$5,152,670 |
| E Other Revenue (Expenses - Net (Specify) | | | | |
| NET OPERATING INCOME (LOSS) | | \$580,471 | \$246,431 | \$119,353 |
| F Capital Expenditures | | | | |
| 1 Retirement of Principal | | | | |
| 2 Interest | | | | |
| Total Capital Expenditures | | \$0 | \$0 | \$0 |
| NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES | | \$580,471 | \$246,431 | \$119,353 |

HISTORICAL DATA CHART - OTHER EXPENSES

OTHER EXPENSE CATEGORIES

| | | | | |
|---|---|-------------|-------------|-------------|
| 1 | Drugs/Materials | \$3,353,181 | \$3,043,718 | \$3,227,553 |
| 2 | Shipping/Delivery | \$85,546 | \$84,968 | \$70,827 |
| 3 | Travel/Lodging | \$32,219 | \$27,500 | \$29,289 |
| 4 | Operational Costs: Utilities, Telephone, Professional Fees, and Other Administrative Costs | \$147,398 | \$126,547 | \$122,270 |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| | Total Other Expenses | \$3,618,344 | \$3,282,733 | \$3,449,939 |

PROJECTED DATA CHART -- NEW BUSINESS LINE
HOME HEALTH/NURSING VISITS - WEST TN (MEMPHIS BRANCH)

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in: January (month)

| Year | | Year One | Year Two |
|---|----------------|-----------|-----------|
| A Utilization Data | Patients | 207 | 228 |
| | Nursing Visits | 1,775 | 1,952 |
| B Revenue from Services to Patients | | | |
| 1 Inpatient Services | | \$0 | \$0 |
| 2 Outpatient Services | | \$265,543 | \$306,702 |
| 3 Emergency Services | | \$0 | \$0 |
| 4 Other Operating Revenue | | \$0 | \$0 |
| Gross Operating Revenue | | \$265,543 | \$306,702 |
| C Deductions from Gross Operating Revenue | | | |
| 1 Contractual Adjustments | | \$10,622 | \$12,268 |
| 2 Provision for Charity Care | | \$13,277 | \$15,335 |
| 3 Provisions for Bad Debt | | \$5,311 | \$6,134 |
| Total Deductions | | \$29,210 | \$33,737 |
| NET OPERATING REVENUE | | \$236,333 | \$272,965 |
| D Operating Expenses | | | |
| 1 Salaries and Wages | | \$160,040 | \$181,325 |
| Benefits | | \$32,008 | \$36,265 |
| 2 Physician Salaries and Wages | | \$0 | \$0 |
| 3 Supplies | | \$7,099 | \$7,809 |
| 4 Taxes | | \$0 | \$0 |
| 5 Depreciation | | \$0 | \$0 |
| 6 Rent | | \$0 | \$0 |
| 7 Interest, Other than Capital | | \$0 | \$0 |
| 8 Management Fees: | | | |
| a. Fees to Affiliates | | \$0 | \$0 |
| b. Fees to Non-Affiliates | | \$0 | \$0 |
| P Other Expenses Specify in chart | | \$36,704 | \$42,951 |
| Total Operating Expenses | | \$235,851 | \$268,351 |
| E Other Revenue (Expenses - Net (Specify) | | | |
| NET OPERATING INCOME (LOSS) | | \$482 | \$4,614 |
| F Capital Expenditures | | | |
| 1 Retirement of Principal | | | |
| 2 Interest | | | |
| Total Capital Expenditures | | \$0 | \$0 |
| NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES | | \$482 | \$4,614 |

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSE CATEGORIES

| | | | |
|---|---|----------|----------|
| 1 | Drugs/Materials | \$0 | \$0 |
| 2 | Shipping/Delivery | \$0 | \$0 |
| 3 | Travel/Lodging | \$0 | \$0 |
| | Operational Costs: Utilities, Telephone, Professional Fees, and | | |
| 4 | Other Administrative Costs | \$0 | \$0 |
| 5 | Mileage | \$36,704 | \$42,951 |
| 6 | | | |
| 7 | | | |
| | Total Other Expenses | \$36,704 | \$42,951 |

Projected Data Chart, Underlying Assumptions

The underlying assumptions for the Projected Data Chart on the preceding page are summarized in the following paragraphs.

- Utilization: Line A is utilization information based on the analysis presented herein.
- Gross Revenues: Line B 2 is forecasted outpatient revenues as discussed in responses to the Economic Feasibility questions herein; these charges are based on Coram's self pay charge structure it has established nationally for home health skilled nursing visits and inflated by five percent to represent years one and two dollars.
- Contractual Adjustments: Line C 1 represents deductions from Gross Revenues based on the anticipated contractual rates for services with third party payors and private parties; because gross charges are established herein based on Coram's self pay charge structure inflated to year one, contractual adjustments reflect four percent of gross charges, not including charity care and bad debt.
- Provisions for Charity Care: Line C 2 represents anticipated charity care which equates to five percent of net patient revenues (Gross Revenues less Contractual Adjustments).
- Provisions for Bad Debt: Line C 3 represents anticipated bad debt which equates to two percent of net patient revenues (Gross Revenues less Contractual Adjustments).
- Operating Expense: Line D 1 represents salaries per the staffing schedule provided in response to Section C, Orderly Development of Health Care, Question 3. This is strictly registered nurse personnel for the new program as incremental staff. It is expected that there will be one full time employee and the balance of the nurse requirements will be provided by Coram's pool nurses on an hourly basis. Line D 2 represents the estimated benefits for the full time registered nurse at 20 percent of the respective salary. While the pool/per diem nurses do not receive benefits, the 20 percent factor is included in the salary line item to accommodate any potential increase for hourly services. Line D 3 is the supply line item, estimated at \$4 per visit. Line D 9 represents mileage reimbursement assuming an average mileage reimbursement of 47 miles per visit at 44 cents reimbursement per mile. Regarding taxes, the Applicant's financial performance is rolled up into the company financials. At the branch level, it pays no federal taxes or excise taxes at this time. Regarding franchise taxes, those are included for the branch overall in the existing business chart. As a result of operating the home health agency in the existing pharmacy, the Applicant does not anticipate any material taxes payable yet proportionately has added taxes consistent with what it currently pays for the existing operation.
- Net Operating Income: Both years reflect a positive net operating income which demonstrates this project is financially feasible.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

The following table provides the average gross charge derived from the Applicant's self pay charge structure it uses nationally for home health skilled nursing visits in 2014, inflated five percent to represent year one dollars, average deduction from third parties, charity deductions and bad debt deductions. The result is net revenue for each of the two forecasted years of operation. Also included is number of visits and resulting average net revenue per visit:

| Projected Data Chart | Year One | Year Two |
|-------------------------------|------------|------------|
| Gross Charges | \$265,543 | \$306,702 |
| Deductions | (\$10,622) | (\$12,268) |
| Charity | (\$13,277) | (\$15,335) |
| Bad Debt | (\$5,311) | (\$6,134) |
| Net Revenue | \$236,333 | \$272,965 |
| | | |
| Patients | 207 | 228 |
| Visits | 1,775 | 1,952 |
| | | |
| Average Gross Charge/Visit | \$150 | \$157 |
| Average Gross Charge/Patient | \$1,281 | \$1,345 |
| Deductions/Patient | \$141 | \$148 |
| Average Net Revenue / Patient | \$1,140 | \$1,197 |
| Average Net Revenue / Visit | \$133 | \$140 |

These average net revenue amounts per visit represent a blend of the average type patient with up to two hours per visit and the specialty patients who have visits lasting up to six hours.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

Since this is a new service for the Applicant in West Tennessee and the defined service area, there are no existing or current charges for skilled nursing visits. The proposed charges for skilled nursing visits are based on Coram's experience in other jurisdictions in which it provides home health services, including Nashville, and in particular its self pay charge structure. The average charge per visit is \$150 in year one and \$157 in year two. Given the expected duration of the nursing visits by Coram, and three times the requirement for the specialty infusion type patients, this is reasonable. Accordingly, the average charge per visit for an antibiotic or TPN type patient is \$116; the average charge for the specialty IVIG and alpha 1 patient is \$290 to 348 per visit

Net revenue per visit for the typical antibiotic or TPN type patient is estimated to be \$104 per visit. The specialty type patient which requires two and one half to three times the initiative is estimated at \$250 to \$310 per visit. These amounts are inflated between years one and two for inflationary purposes.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:**ECONOMIC FEASIBILITY**

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).***

The proposed average charge per home health visit for year one is \$116 for up to a two hour visit. For longer visits, there is a \$58 charge for each additional hour. This results in the typical infusion patient at \$116 per visit and three times that amount, or \$290 to \$348, for the specialty infusion patient whose treatment lasts approximately six hours.

To contrast these charges to home health agencies in the service area, it is more reasonable to contrast the typical rate, excluding the specialty rate based on the fact that Medicare certified home health agencies do not generally provide the specialty infusion nursing. Within the 2013 Joint Annual Report Summary is reported charge per visit by home health agencies by discipline. Of the 61 agencies reporting from within the defined service area for 2013, only 8 reported an average charge for a skilled nursing visit. These charges ranged between \$81 and \$155 per visit.

Following are the eight agencies by name and charge per skilled visit as reported in their 2013 Joint Annual Report.

| <i>Agency Name</i> | <i>2013 Charge Per Skilled Visit</i> |
|--|--------------------------------------|
| Tennessee Quality Homecare – Northwest (Benton) | \$90 |
| Tennessee Quality Homecare – Southwest (Decatur) | \$90 |
| Volunteer Homecare of West TN, Inc. (Decatur) | \$120 |
| Volunteer Home Care, Inc. (Gibson) | \$120 |
| Acredo Health Group (Shelby) | \$90 |
| Baptist Trinity Home Care – Private Pay (Shelby) | \$155 |
| Interim Healthcare of Memphis, Inc. (Shelby) | \$95 |
| Maxim Healthcare Services, Inc. (Shelby) | \$81 |

Source: Report 3 from the 2013 Joint Annual Report Summary.

Adjusting the range from 2013 dollars to 2015 dollars would result in a 2015 dollar range of \$89 to \$171 charge per visit. Comparing this charge to the typical charge per visit identified above, the Applicant's charges are within the range of reasonableness.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Forecasted visits for years one and two for the Coram home health agency demonstrate that the proposed program is financial viable. Because the existing infrastructure of the pharmacy, its physical space, its management team and its support staff are all in place, the incremental costs associated with the home health agency directly relate to the nurse staff to provide the skilled visits with respect to their compensation and benefits and travel reimbursement.

All infusion products and necessary equipment are provided through the licensed pharmacy in conjunction with the prescribed infusion therapies.

Therefore, this proposed home health agency is very cost effective, with the nurse staff being added as volumes increase.

As is evidenced on the Projected Data Chart, the home health program demonstrates positive net operating income and therefore demonstrates its viability.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.***

Forecasted utilization in year one results in positive net operating income; forecasted utilization in year two results in greater positive net operating income. Given the fact that all of the incremental costs associated with the home health operation are variable relative to the number of skilled nursing visits, and the average cost per visit is less than the net revenue realized per visit, the Applicant can assure the financial viability of this proposal.

With respect to sufficient cash flow until financial viability is achieved, given the cost variability of this business, there will be sufficient cash flow to cover operating costs. Notwithstanding this fact, a letter from the Applicant's ultimate parent included in Attachment, Section C, Economic Feasibility, Item 2 indicates that the ultimate parent will not only fund the initial project costs, it will provide for any necessary working capital and operating deficits, if any, until financial viability is achieved.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.***

The Coram Memphis Branch licensed pharmacy participates in both Medicare and TennCare and also serves medically indigent patients. The home health agency proposed by this CON application will not become Medicare/Medicaid certified. Because it is a limited service home health agency, and not providing the full range of home health services as prescribed by the Conditions of Participation, it is not eligible for certification.

Its patients will be private pay, covered by a third party provider and medically indigent. Per the Projected Data Chart, approximately five percent of the patients are expected to be charity care.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.***

Coram Alternate Site Services, Inc. is a wholly owned indirect subsidiary of CVS Caremark Corporation. Currently Coram Alternate Site Services, Inc. is not separately audited as it operates as a division of its ultimate parent, CVS Caremark Corporation. The ultimate parent's annual report as filed with the Securities and Exchange Commission which includes audited financial statements for the company is provided as Attachment, Section A, Item 4.2. The local branch financial statements are provided as Attachment, Section A, Item 4.4.

The audited financial statements as presented in the CVS 10K indicates, the ultimate parent has in excess of \$4.0 billion in cash and cash equivalents, \$25 billion in current assets and just \$12.8 billion in long term debt. Its current ratio is 1.64 showing good financial strength. The local branch financial statements indicate positive earnings for each of the last three years.

With this project being a low cost project (\$98,000) and the net operating income provided by the Memphis Branch's licensed pharmacy (without the project), the Applicant clearly has the financial capability to implement and operate the proposed home health agency. Additionally, the Applicant has provided a Funding Letter assuring this fact by Michael E. Dell, Senior Vice President, General Counsel and Secretary. This is included in Attachment, Section C, Economic Feasibility, Item 2.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.***

The benefits intended by this proposal are varied for the patient/family, the physician and hospital referral source and the home health industry.

Patients/families will have more timely discharges from the hospital and be able to receive first dose protocols, teaching/training in self administration and readily accessible infusion in their own home. There is no less costly or more effective alternative for the patient and family.

With respect to the hospital and physician referral sources, as documented in this CON application, if a hospital inpatient prescribed infusion therapy services is unable to obtain home health assistance upon hospital discharge that individual remains in the hospital until s/he receives the first infusion and training sufficient that s/he could be discharged home to self-infuse thereafter. Subsequently, the Applicant would send the compounded infusion product from the Memphis pharmacy via secure medical courier. If the infusion therapy is inappropriate to administer in the home without nursing supervision, such as blood products or IVIG, the patient must travel to an outpatient clinic, such as an oncology clinic, physician practice, hospital or ambulatory infusion suite to obtain their medication. In addition, patients without nursing assistance who self-infuse in the home are ill equipped to handle even the most minor of complications, such as a blocked line, and must instead travel to the nearest hospital emergency room, sometimes by private transportation, but also by ambulance, to alleviate the problem. Similarly, patients who require a line change must also go to a hospital for such a procedure.

The lack of availability of home health agencies to provide first dose protocol, meet the needs of low intervention patients (not homebound), be available to start a patient on the evening, night or weekend therapy regimen or provide extended IVIG nursing visits is well documented. The result is the patient remains in a hospital longer than necessary resulting in an increased cost to the healthcare system. All of these situations, and their attendant expenses, would be substantially eliminated by the Applicant implementing its limited service home health agency. Accordingly, approval of Coram to provide this limited home health service will clearly result in a less costly and more effective alternative with respect to the hospital and other referral sources.

With respect to licensed home health agencies throughout West Tennessee, unfortunately in today's Medicare home health agency environment, there is not a range of certified infusion nurses available at the existing home health agencies. This is a very small skilled niche primarily providing services to non-Medicare patients. Accordingly, the service proposed herein is atypical to the average home health agency and generally not available. A detailed discussion of home health agencies patients versus the patient to be seen by the Coram home health service is presented by the Applicant in response to questions within Section C, Need, Home Health Services.

The alternative to this proposal is maintaining status quo. This was rejected by the Applicant. Maintaining status quo in West Tennessee means continued longer stays in hospitals; more costly hospital stays; further hardships on patients and their families; inability to enhance quality of infusion therapy services in West Tennessee; operating in a more costly healthcare environment – despite the industry's focus on enhancing quality and decreasing costs; and rejecting a true improvement in healthcare delivery at a lesser cost.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

ECONOMIC FEASIBILITY

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.***

The project proposed herein is for a limited service home health agency. It does not involve any new construction. In fact, it is using its existing infrastructure that houses a licensed pharmacy to establish the home health agency. Therefore the physical plant exists, is fully built out, and will require no incremental costs by the Applicant to achieve licensure of the home health service.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.***

The Applicant is an existing licensed pharmacy. It currently has in place contractual agreements with managed care organizations throughout West Tennessee. These include but are not limited to the following Aetna, Blue Cross Blue Shield of Tennessee, Carecentrix, Cigna, Corizon, Coventry, Cover Tennessee, GEHA, Multiplan, HealthSprings of Tennessee, Magellan TennCare, Prime Healthcare, Medicare, St Jude and TriCare.

Aside from its payor relationships, the Applicant has significant referral relationships with the existing hospital and provider community throughout the 25-county defined service area. The provider relationships include but are not limited to the following: St. Jude Children's Hospital, St. Francis Hospital, Vanderbilt University Medical Center, Methodist University Hospital, Methodist Germantown, Le Bonheur Children's Medical Center, Baptist Memorial – DeSoto, Baptist Memorial Hospital, Methodist North Hospital, Regional Medical Center, Select Specialty, and VA Medical Center. Collectively, these referral sources represent between 80 and 90 percent of the Applicant's patient referrals.

The Applicant will extend the above payor relationships and provider relationships to also include nursing services for infusion patients. As evidenced by the letters of support obtained by the Applicant for this CON application, it is clear Coram has the necessary existing resources to assure its future viability.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

This proposal will not negatively impact existing home health providers as the services proposed herein will be very restricted and complement the home health services provided by agencies throughout West Tennessee. Additionally, with Coram's intent to continue to train nurses at other home health agencies in the area of infusion, it is possible the quality of care in the overall home health community will increase. Importantly, Coram only anticipates admitting approximately 200 of more than 40,000 home health patients in the region demonstrating virtually no impact on existing providers.

Coram's restricted license will have quite a positive effect on the existing institutional and physician providers. As noted in Section C, Question 1, Coram has a referral relationship for its infusion products with hospitals such as St. Jude Children's Hospital, St. Francis Hospital, Vanderbilt University Medical Center, Methodist University Hospital, Methodist Germantown, Le Bonheur Children's Medical Center, Baptist Memorial – DeSoto, Baptist Memorial Hospital, Methodist North Hospital, Regional Medical Center, Select Specialty, and VA Medical Center, among others. With the ability to have Coram's certified infusion nurses available for first dose protocol and training in a patient's home, patients will be discharged on a more timely basis from these and other area hospitals. The ultimate effect will be a decrease in patient care costs across the continuum of the healthcare system.

Other benefits Coram believes will accrue to the community at large with its ability to provide infusion nursing services include but are not limited to the following:

- Less emergency room use
- Better disease control
- Fewer unscheduled physician office visits
- Fewer total medications
- Fewer hospitalizations
- Better self and preventative care skills by the patient and family
- Better drug compliance
- Increased patient satisfaction
- Fewer adverse drug reactions
- Seamless delivery of care by infusion therapy provider
- Certified infusion nurses able to provide hands on care in the patient's home
- Skilled, experience infusion nurse able to teach the patient in self administration, compliance and safety

Overall, these benefits will enhance the quality of care available for infusion therapy patients in a cost effective and accessible manner.

As reflected in the letters of support included in Attachment, Section C, Home Health Services, Item 5, the providers confirm the Applicant's position that approving Coram to have a restricted home health license will be a community benefit, for providers, patients and families.

In summary, the Applicant will have no negative effect on the utilization of existing home health providers, will have a positive effect through more timely discharge and a cost savings for hospital referral sources and will have a positive effect on the home health community through enhanced quality care delivery in the patient's home.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

3. *Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.*

The Applicant is an existing licensed pharmacy. Through this CON application, it will be adding nursing visits as a limited service home health agency. Currently, the Applicant employees 19 full time equivalents (FTEs) to provide its pharmacy and infusion services. Given its forecasted growth in those business segments, it expects to increase to 24 FTEs during the next two years (without home health). Because the entire management structure, admissions personnel, clerical support and clinical liaisons are already in place, with the addition of the limited home health agency and the addition of skilled nursing visits, the Applicant will only need to add additional registered nurses to provide such services.

The following table provides the number of full time equivalents employed by the Applicant, the current average salary per year for the existing operations, and forecasted FTEs for the two projection years as shown in the Projected Data Chart for the Existing Business included within the Attachments.

Additionally, the table identifies the incremental FTEs to provide the skilled nursing visits upon establishment of the limited home health service agency as the subject of this CON application.

| <i>Projected Data Chart – Forecasted Staffing and Salaries</i> | | | | |
|--|---------------------|-----------------------|--------------------------------|-----------------|
| <i>Position</i> | <i>Current FTEs</i> | <i>Current Salary</i> | <i>Forecasted FTEs by Year</i> | |
| | <i>2014</i> | | <i>Year One</i> | <i>Year Two</i> |
| Existing Operations | | | | |
| Administration | 2.00 | \$70,000 | 2.00 | 2.00 |
| Clinical Liaison | 1.00 | \$70,000 | 1.00 | 1.00 |
| Territory Manager | 1.00 | \$70,000 | 1.00 | 1.00 |
| Pharmacist | 3.00 | \$108,000 | 3.00 | 4.00 |
| Pharmacy Technician | 1.00 | \$34,000 | 4.00 | 4.00 |
| Dietician | 1.00 | \$62,000 | 1.00 | 1.00 |
| Admissions | 2.00 | \$34,500 | 2.50 | 3.00 |
| Registered Nurses | 1.00 | \$70,000 | 2.00 | 3.00 |
| Customer Support | 2.00 | \$31,500 | 2.00 | 2.00 |
| Warehouse Worker | 2.00 | \$35,000 | 2.00 | 2.00 |
| Clerical | 1.00 | \$27,000 | 1.00 | 1.00 |
| | 19.0 | --- | 21.50 | 24.00 |
| Proposed Operations – Limited Home Health – Skilled Nursing | | | | |
| Registered Nurses | 0.00 | (*) | 1.95 | 2.15 |

| <i>Projected Data Chart – Forecasted Staffing and Salaries</i> | | | | |
|--|---------------------|-----------------------|--------------------------------|-----------------|
| | <i>Current FTEs</i> | <i>Current Salary</i> | <i>Forecasted FTEs by Year</i> | |
| <i>Position</i> | <i>2014</i> | | <i>Year One</i> | <i>Year Two</i> |
| Combined Total FTEs | | | | |
| Total | 19.0 | -- | 23.45 | 26.15 |

(*) The planned salary is \$82,000 in year one, 2015 dollars.

Average salaries by position are based on actual salaries of the Applicant since it is an existing licensed operation. These salaries are reasonably competitive as the Applicant has been able to successfully recruit and retain its employees as a longstanding West Tennessee employer. Average salaries for future periods were adjusted for inflationary purposes in the projected data chart. In addition to salaries, all full time employees have a benefit package. This package includes sick, holiday, vacation and insurance benefits and averages approximately 20 percent of salaries. Pool employees are not eligible for benefits.

The total number of RN FTEs for skilled nursing visits in year two will be 2.15 FTEs, an increase of 0.20 from year one, as there will only be 21 more patients in year two (228) compared to year one (207).

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.***

Coram Alternate Site Services, Inc. is an existing licensed pharmacy operating in West Tennessee. As noted in Section C, Question 3 above, it is fully staffed to provide its current and future pharmacy services in accordance with its budget. With respect to the addition of nursing visits, Coram will add registered nurses to provide the services. Based on the number of visits anticipated, the average duration of a visit and travel time, Coram will recruit 1.95 full time equivalent (FTE) nurses in year one and 2.15 in year two. It is confident with its existing licenses and relationships in the community that it will successfully recruit the nurses it requires to provide the nursing visits in accordance with its projections.

Geographic placement will be determinant on the number of patients in the area and their needs. The Applicant will place one full time CRNI in Memphis, with a pool of between 8-15 per diem/per visit CRNIs located near larger population centers throughout the service area (e.g., Jackson to the east, Covington and Trenton) will be sufficient to cover the anticipated patient population to be served by this limited service home health agency.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.***

Coram Alternate Site Services, Inc. is an existing licensed pharmacy operation in West Tennessee (and elsewhere). It has received, reviewed, understands and intends on complying with all applicable licensure requirements of the Department of Health as it relates to medical and clinical staff. It also intends on complying with all applicable Medicare and Medicaid/TennCare requirements regarding medical and clinical staff.

The Applicant has appropriate credentialing standards, quality assurance policies and programs, utilization review policies and programs, record keeping protocols and staff education requirements in place that will be expanded as applicable to the home health agency services.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

6. *Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).*

Coram Alternate Site Services is an existing licensed pharmacy which recognizes the importance of training and education, both for students as well as healthcare professionals not familiar with Coram's unique specialty of infusion. Accordingly, throughout Tennessee, Coram has the following educational and training relationships in place:

- David Lipscomb University: Pharmacists
- University of Tennessee: Pharmacists
- Various Home Health Agency: Train nurses in infusion services
- Physician Offices In-services on: Starting an IV; specialty drugs; infusion equipment (pump and set up); infusion of specialty drugs
- Hospital Case Managers and Dietician In-Services on: Types of infusion which are safe to administer at home; sending home on TPN; infusion equipment

It is also the Applicant's intention to add pharmacy technician training for vocational schools when appropriate.

With the approval of this CON application for limited home health services, it is Coram's intent to expand the above relationships to additionally include other universities and various schools of nursing to provide experiential training on infusion service.

Clearly the Applicant will continue its current commitment to the training of both students and area healthcare professionals in the specialty niche in which Coram operates.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

7. ***(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.***

Coram Alternate Site Services has reviewed and understands the licensure requirements of the Department of Health applicable for the proposed limited service home health agency. Additionally, the Applicant is fully cognizant of the requirements for a home health agency as promulgated by the Centers for Medicare and Medicaid Services.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.***

Licensure: Tennessee Department of Health, Board of Licensing in accordance with Chapter 1200-08-26 Standards for Home Health Agencies

Accreditation: The Joint Commission

No measures other than those in the ordinary course of business and consistent with the Applicant's policies and procedures were taken in response to the latest licensing survey because that survey noted no deficiencies.

The Applicant is accredited organizationally by the Joint Commission, which may or may not result in a survey of the Applicant's Memphis location. A copy of the Applicant's latest Joint Commission documentation is attached.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.***

The Applicant is currently licensed by the State of Tennessee as a Pharmacy. It is also accredited by The Joint Commission. It is enrolled in both Medicare and Medicaid (TennCare) to provide services to these population groups. The Applicant also has a licensed limited service home health agency serving 38 counties in Middle Tennessee; that license is included in Attachment, Section A, Item 4.3.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Coram Alternate Site Services, Inc.'s Memphis Branch is licensed as a pharmacy. To the best of our knowledge, the Memphis, Tennessee Branch has not incurred any deficiencies, violations and/or fines. Attachment, Section C, Contribution to Orderly Development, Item 7(d) includes the copy of the most recent inspection of the Memphis Branch. No deficiencies were noted so there is no applicable plan of correction.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 8. *Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.***

From time to time Coram is subject to ordinary course surveys, reviews and re-certifications by governmental agencies and, accordingly, Coram has incurred non-material deficiencies, violations and/or fines. No such surveys, reviews and re-certifications have led to any loss or limitations of licensure by Coram or have had or are expected to have a material impact on Coram's operations or financial standing or have had or expected to have material impact on Coram's operations or financial standing. To the best of our knowledge, the Memphis, Tennessee Branch has not incurred any such deficiencies, violations and/or fines.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 9. *Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.***

The Applicant has never received any final civil or criminal judgments for fraud or theft. Furthermore, its principals and officers have never received any final civil or criminal judgments for fraud or theft against. Lastly, to the best of our knowledge, any person or entity with more than 5% ownership interest in the Applicant has never received any final civil or criminal judgments for fraud or theft.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED:

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- 10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.***

Coram Alternate Site Services, Inc. confirms that if approved, it will timely provide the Tennessee Health Services and Development Agency, Department of Health and/or any designated reviewing agency information concerning the number of patients treated, number and type of procedures performed and other data as required. It will submit its Joint Annual Report on a timely basis which also includes statistical and financial information for the home health operation as well as patient migration information utilized by the State. Furthermore, to the extent reporting requirements are altered or adjusted in future periods, Coram agrees to comply with any newly adopted reporting requirements.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

A copy of the notice of intent with the mast and dateline intact is provided on the following page as required.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 *et seq.*, and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.***
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.***

It is the Applicant's intent to expeditiously proceed with the implementation of Coram Alternate Site Services, Inc.'s limited home health services as soon as certificate of need approval is obtained. Based on the project completion forecast as presented on the following page, the home health agency is expected to be licensed approximately 7 months from the CON application submission, or approximately three months from the CON hearing, beginning operations on or before January 1, 2015.

PROJECT COMPLETION FORECAST WEST TENNESSEE (MEMPHIS BRANCH)

Enter the Agency projected Initial Decision date, as published in TCA 68-11-1609(c):

24-Sep-14

Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of completion forecast.

| Phase | Days Required | Anticipated Date (Month/Year) |
|--|---------------|----------------------------------|
| 1 Architectural and engineering contract signed | | |
| 2 Construction documents approved by the TN Dept of Health | | |
| 3 Construction contract signed | | |
| 4 Building permit secured | | |
| 5 Site preparation completed | | |
| 6 Building construction commenced | | |
| 7 Construction 40% complete | | |
| 8 Construction 80% complete | | |
| 9 Construction 100% complete (approved for occupancy) | | |
| 10 * Issuance of license | 95 | December-14 |
| 11 * Initiation of service | 5 | January-15 |
| 12 Final Architectural Certification of Payment | | |
| 13 Final Project Report Form (HF0055) | | |

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.


Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect actual issue date.

AFFIDAVIT

STATE OF COLORADO

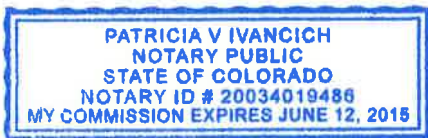
COUNTY OF DENVER, COLORADO

MICHAEL E. DELL, SVP, GC & SECRETARY, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.


MICHAEL E. DELL, SVP, GC & SECRETARY
SIGNATURE/TITLE

Sworn to and subscribed before me this 20TH day of MAY, 2014 a Notary
(Month) (Year)

Public in and for the County/State of DENVER, COLORADO.




NOTARY PUBLIC

My commission expires JUNE 12, 2015.
(Month/Day) (Year)

CORAM ALTERNATE SITE SERVICES, INC.
CERTIFICATE OF NEED APPLICATION
TO ESTABLISH A
LIMITED SERVICE HOME HEALTH AGENCY
WEST TENNESSEE
APPLICATION ATTACHMENTS

JUNE 2014

APPLICATION ATTACHMENTS

ATTACHMENT, SECTION A, ITEM 3.1

CORAM ALTERNATE SITE SERVICES, INC.

SECRETARY OF STATE ENTITY EXISTENCE



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

JOYCE PATE
SUITE 1500
555 17TH STREET
DENVER, TN 80202

May 27, 2014

Request Type: Certificate of Existence/Authorization
Request #: 0129097

Issuance Date: 05/27/2014
Copies Requested: 1

Document Receipt

Receipt #: 1517372 Filing Fee: \$22.25
Payment-Credit Card - State Payment Center - CC #: 156455783 \$22.25

Regarding: CORAM ALTERNATE SITE SERVICES, INC.

Filing Type: Corporation For-Profit - Foreign

Control #: 292717

Formation/Qualification Date: 03/30/1995

Date Formed: 12/23/1986

Status: Active

Formation Locale: DELAWARE

Duration Term: Perpetual

Inactive Date:

CERTIFICATE OF AUTHORIZATION

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

CORAM ALTERNATE SITE SERVICES, INC.

- * a Corporation formed in the jurisdiction set forth above, is authorized to transact business in this State;
- * has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed an Application for Certificate of Withdrawal.

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 007344732



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

CORAM ALTERNATE SITE SERVICES, INC.
STE 1500
555 17TH ST
DENVER, CO 80202-3900

April 3, 2014

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

Control # : 292717 Status: Active
Filing Type: Corporation For-Profit - Foreign

Document Receipt

| | | |
|--|-------------|---------|
| Receipt # : 1443460 | Filing Fee: | \$20.00 |
| Payment-Check/MO - Coram, Centennial, CO | | \$20.00 |

Amendment Type: Assumed Name

Image # : 7315-2293

Filed Date: 04/01/2014 1:34 PM

This will acknowledge the filing of the attached assumed name with an effective date as indicated above. When corresponding with this office or submitting documents for filing, please refer to the control number given above. The name registration is effective for five years from the date the original registration was filed with the Secretary of State.

Tre Hargett
Secretary of State

Processed By: Kelli Wiggins

| Field Name | Changed From | Changed To |
|------------------|--------------|---------------------------------------|
| New Assumed Name | No Value | Coram CVS Specialty Infusion Services |

State of Tennessee



Department of State
Corporate Filings
312 Rosa L. Parks Ave.
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

APPLICATION FOR
REGISTRATION OF
ASSUMED CORPORATE
NAME

For Office Use Only

FILED

Pursuant to the provisions of Section 48-14-101(d) of the Tennessee Business Corporation Act or Section 48-54-101(d) of the Tennessee Nonprofit Corporation Act, the undersigned corporation hereby submits this application:

1. The true name of the corporation is Coram Alternate Site Services, Inc.

2. The state or country of incorporation is Delaware

3. The corporation intends to transact business in Tennessee under an assumed corporate name.

4. The assumed corporate name the corporation proposes to use is
Coram CVS Specialty Infusion Services

[NOTE: The assumed corporate name must meet the requirements of Section 48-14-101 of the Tennessee Business Corporation Act or Section 48-54-101 of the Tennessee Nonprofit Corporation Act.]

03/17/2014

Signature Date

Coram Alternate Site Services, Inc.

Name of Corporation

SR VP, GC, Sec and Director

Signer's Capacity

Signature

Michael E. Dell

Name (typed or printed)

7215.2293. 04/01/2014. 13:34:56. Received by Tennessee Secretary of State Pro Herbert

ATTACHMENT, SECTION A, ITEM 3.2

CORAM ALTERNATE SITE SERVICES, INC.

CORPORATE BY LAWS

**AMENDED AND RESTATED BYLAWS
OF
CORAM ALTERNATE SITE SERVICES, INC.**

as of July 1, 2010

**ARTICLE I
MEETINGS OF STOCKHOLDERS**

Section 1. Place of Meeting and Notice. Meetings of the stockholders of Coram Alternate Site Services, Inc. (the "Company") shall be held at such place either within or without the State of Delaware as the Board of Directors may determine.

Section 2. Annual and Special Meetings. Annual meetings of stockholders shall be held, at a date, time and place fixed by the Board of Directors and stated in the notice of meeting, to elect a Board of Directors and to transact such other business as may properly come before the meeting. Special meetings of the stockholders may be called by (i) the President for any purpose and shall be called by the President or (ii) the Secretary if directed by the Board of Directors.

Section 3. Notice. Except as otherwise provided by law, at least 10 and not more than 60 days before each meeting of stockholders, written notice of the time, date and place of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder.

Section 4. Quorum. At any meeting of stockholders, the holders of record, present in person or by proxy, of a majority of the Company's issued and outstanding capital stock shall constitute a quorum for the transaction of business, except as otherwise provided by law. In the absence of a quorum, any officer entitled to preside at or to act as secretary of the meeting shall have power to adjourn the meeting from time to time until a quorum is present.

Section 5. Voting. Except as otherwise provided by law, all matters submitted to a meeting of stockholders shall be decided by vote of the holders of record, present in person or by proxy, of a majority of the Company's issued and outstanding capital stock.

Section 6. Action by Written Consent. Any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

DIRECTORS

Section 1. Number, Election and Removal of Directors. The number of Directors that shall constitute the Board of Directors shall be not less than one nor more than nine. The number of Directors of the Board of Directors on the date of the adoption and effectiveness of these Bylaws shall be one. Thereafter, within the limits specified above, the number of Directors shall be determined by the Board of Directors or by the stockholders. The Directors shall be elected by the stockholders at their annual meeting. Vacancies and newly created directorships resulting from any increase in the number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by the sole remaining Director or by the stockholders. A Director may be removed with or without cause by the stockholders.

Section 2. Meetings. Regular meetings of the Board of Directors shall be held at such times and places as may from time to time be fixed by the Board of Directors or as may be specified in a notice of meeting. Special meetings of the Board of Directors may be held at any time upon the call of the President and shall be called by the President or Secretary if directed by the Board of Directors. Telegraphic, facsimile or written notice (which includes electronic mail) of each special meeting of the Board of Directors shall be sent to each Director not less than two days before such meeting. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of the stockholders. Notice need not be given of regular meetings of the Board of Directors.

Section 3. Quorum. A majority of the total number of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board of Directors, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until such a quorum is present. Except as otherwise provided by law, the Certificate of Incorporation of the Company, these Bylaws or any contract or agreement to which the Company is a party, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors.

Section 4. Committees. The Board of Directors may, by resolution adopted by a majority of the whole Board, designate one or more committees, including without limitation an Executive Committee, to have and exercise such power and authority as the Board of Directors shall specify. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he/she or they constitute a quorum, may unanimously appoint another Director to act at the meeting in place of any such absent or disqualified member.

Section 5. Manner of Participation. Directors may participate in meetings of the Board of Directors by means of conference telephone or other communications equipment by means of which all Directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these Bylaws.

Section 6. Action by Written Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, without prior notice and without a vote, if a consent in writing shall be signed by all the directors, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

ARTICLE III

OFFICERS

The officers of the Company shall consist of a President, one or more Executive Vice Presidents, a Chief Financial Officer, a Treasurer, a Secretary and such other additional officers with such titles as the Board of Directors shall determine, all of whom shall be chosen by and shall serve at the pleasure of the Board of Directors. Such officers shall have the usual powers and shall perform all the usual duties incident to their respective offices. All officers shall be subject to the supervision and direction of the Board of Directors. The authority, duties or responsibilities of any officer of the Company may be suspended by the President with or without cause. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause.

ARTICLE IV

INDEMNIFICATION

To the fullest extent permitted by the General Corporation Law of the State of Delaware, the Company shall indemnify any current or former Director or officer of the Company and may, at the discretion of the Board of Directors, indemnify any current or former employee or agent of the Company against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding brought by or in the right of the Company or otherwise, to which he or she was or is a party or is threatened to be made a party by reason of his or her current or former position with the Company or by reason of the fact that he or she is or was serving, at the request of the Company, as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including the heirs, executor, administrators or estate of such person).

ARTICLE V

GENERAL PROVISIONS

Section 1. Notices. Whenever any statute, the Certificate of Incorporation or these Bylaws require notice to be given to any Director or stockholder, such notice may be given in writing by mail, addressed to such Director or stockholder at his address as it appears on the records of the Company, with postage thereon prepaid. Such notice shall be deemed to have been given when it is deposited in the United States mail. Notice to Directors may also be given by facsimile or telegram. A waiver of such notice in writing signed by the person or persons entitled thereto, whether before or after the time stated in such notice, shall be equivalent to the giving of such notice. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 2. Fiscal Year. The fiscal year of the Company shall be fixed by the Board of Directors.

ATTACHMENT, SECTION A, ITEM 4.1

CORAM ALTERNATE SITE SERVICES, INC.

**APPLICANT DESCRIPTION AND
ORGANIZATIONAL CHART**

TM Con Application Part A, Section 4
CORPORATE WRITE-UP

CORAM ALTERNATE SITE SERVICES, INC.

The Applicant is Coram Alternate Site Services, Inc. which is the licensed operating entity of the existing licensed pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 (the "Memphis Branch"). During the past three years, the Memphis Branch has had patients residing throughout western Tennessee and surrounding states. Within the State, the Memphis Branch primarily serves the 25 western counties. These counties comprise more than 85 percent of the Memphis Branch's patient population residing in Tennessee and represent the area for which Coram is seeking CON approval of limited home health services.

Ms. Nicole Kirby, RN is the Regional Nurse Manager based in the Applicant's Memphis Branch. In her current role, Ms. Kirby oversees care and education of patients receiving specialty infusion in the home. She coordinates contracted agency nursing care with home health agencies. She is involved in the primary care management in partnership with the on-site pharmacies, nutritionist and community/hospital based physicians. She also is responsible for clinical documentation, quality improvement and utilization review of home health agency documentation. She also oversees staff development in the Nashville and Knoxville Branch offices. Ms. Kirby has been with Coram in this role since 2011.

Immediately prior, Ms. Kirby was the Nurse Manager for three years with Basic Home Infusion in its Memphis Branch, and prior to that for approximately 13 years served in various positions within hospitals or pharmaceutical companies in Tennessee, North Carolina and New York. Ms. Kirby earned her Bachelor's in Nursing from North Carolina Agricultural & Technical State University and her Master's in Business Administration from University of Phoenix. Ms. Kirby will be the administrator for the licensed home health services. Ms. Kirby satisfies the home health administrator qualifications as required by Tennessee Department of Health, Chapter 1200-08-26.

Ms. Kirby reports to Mark Sharp. Mr. Sharp has been with Coram since 2006 and is Vice President of Operations for Applicant overseeing the Nashville, Knoxville, and Memphis Branches in Tennessee. He is also responsible for Coram's branch operations in southwest Kentucky, southwest Virginia, Georgia, Florida, North Carolina, South Carolina, Mississippi and Alabama. In his current role, Mr. Sharp provides direction for the clinical programs and implementation of policy and procedures in addition to regional branch operations oversight. Mr. Sharp has worked in healthcare for the past 24 years in various capacities including Plant Manager, Director of Logistics for Baxter Healthcare, Director of

North American Operations for Steris Corporation, and Director of Packaging and Distribution Operations for GNC. Mr. Sharp received his Masters of Business Administration in 1994 from Webster University and his Bachelors in Business Management from the University of Miami in 1984.

The Applicant is a wholly owned operating subsidiary of Coram Specialty Infusion Services, Inc., which owns 100 percent of the Applicant. The following individuals are the named officers of Applicant, CSIS and parent entity, Coram LLC:

- **Robert T. Allen, CPA, President & Chief Operating Officer of Coram LLC and President, Chief Financial Officer & Treasurer of Applicant and CSIS:** Mr. Allen has been with Coram since 2005 and served previously as Coram's Executive Vice President of Operations and as Chief Financial Officer. Mr. Allen has extensive experience in the healthcare and financial worlds. Mr. Allen comes to Coram after serving as CFO for Titan Health Corporation, a venture-funded specialty focused surgery center company based in Sacramento, California. Prior to working for Titan, he was CFO for American Medical Response, Inc. (AMR) medical transportation and physician practice management company based in Aurora, Colorado. Mr. Allen has a B.S. in Business Administration from Chico State University and completed the Executive Finance Program through Stanford University.
- **Michael E. Dell, Senior Vice President, Associate General Counsel and Secretary, of Coram LLC and Senior Vice President, General Counsel, Secretary and Director of Applicant and CSIS:** Mr. Dell has been in his role with the Coram Legal Department since 2001. Prior to his position with Coram, Mr. Dell worked as an Associate in the Health Care and Business Organizations departments of Reinhart, Boerner & Van Deuren, a Milwaukee, Wisconsin based law firm. Mr. Dell earned his B.A. degree from the University of Colorado at Boulder and earned a J.D. degree from the Vanderbilt University School of Law, Nashville, Tennessee. Prior to attending law school, Mr. Dell worked in Washington, D.C. as both a Senate and Press Office legislative staff member. Mr. Dell is a member of the Denver, the Colorado and the Wisconsin Bar Associations, the American Health Lawyers Association and the Association of Corporate Counsel.
- **Harriet Albery, Chief Commercial Officer:** Ms. Albery is the Chief Commercial Officer of Coram LLC. Ms. Albery re-joined Coram in 2008 and has held several senior management positions in the Coram Sales Department including Senior Vice President and Executive Vice President. Ms. Albery previously worked with Coram for five years in varying roles including financial planning and investor relations, and prior to her departure in 2000 was the Vice President of Pricing & Contracting. Ms.

Albery returned to Coram in 2008 after spending over five years with Walgreens-OptionCare, where she held the position of Vice President, Sales and Marketing. Ms. Albery earned a dual bachelor's degree in English and Political Science from the University of Colorado, and an MBA in Finance and Marketing from Tulane University.

- **Fred Stepan, Chief Financial Officer:** Fred Stepan joined Coram as Chief Financial Officer in July 2012. Mr. Stepan has over 30 years of experience in Finance and Accounting. He served previously as the CFO at The Scooter Store, CFO at Symtx, Vice President of Finance at ALL.com, and also held several senior leadership positions at US West. In addition, Mr. Stepan was a Senior Accountant and CPA at Deloitte. He earned a Bachelor's degree in Accounting from the University of Notre Dame, and an MBA in Finance from the University of Washington.
- **Joseph Kress, Chief Information Officer:** Joseph Kress joined Coram as Chief Information Officer in July 2013. Mr. Kress has experience primarily in the medical/surgical and pharmaceutical wholesale distribution industries. He was previously with McKesson Corporation in San Francisco, where he worked for the last 14 years in positions of increasing responsibility. His most recent role was as Senior Vice President of Indirect Spend PMO (Project Management Office), in which he managed a cross-functional team consisting of IT, Corporate Procurement, Change Leadership, Communications, Program Management, and Finance. Prior to that, he served as Senior Vice President, Foundation Services at McKesson IT. Mr. Kress received a Master of Science in Industrial Administration from Carnegie Mellon University, and a Bachelor of Science in Chemical Engineering from the University of California at Berkeley.
- **Ann Bozeman, Senior Vice President, Human Resources:** Ann Bozeman joined Coram in July 2012 as the Senior Vice President of Human Resources. In this role, she is responsible for overseeing all Human Resources aspects for Coram. Prior to joining Coram, she was the Vice President of Global Human Resources at Jeppesen, a subsidiary of The Boeing Company. Ms. Bozeman brings over 20 years of human resource experience to Coram serving in Human Resource leadership roles for Conagra Foods, Dell and Lockheed Martin. Ms. Bozeman earned a Bachelor's degree in Nursing from Regis University and a Bachelor's Degree in Human Resources Management from Colorado Christian University. Ms. Bozeman has also received her coaching certification through the Hudson Institute of Coaching and is Six Sigma Green Belt certified.

- **Margaret Brown, Senior Vice President, Quality and Compliance, Corporate Compliance Officer:** Margaret F. Brown is Senior Vice President of Ethics and Compliance and Corporate Compliance Officer. Ms. Brown oversees the Coram Corporate Compliance Program, which includes all elements of the recommended Office of the Inspector General's (OIG) compliance guidelines for healthcare organizations. A 1972 graduate of the University of Wisconsin, Madison, with a B.S. in Bacteriology, Ms. Brown has over 35 years of experience in the areas of quality, clinical management and regulatory compliance in both FDA-regulated products manufacturing and healthcare services organizations. Ms. Brown began her career as an investigator in the Chicago district office of the FDA (U.S. Food and Drug Administration), specializing in biological and radiopharmaceutical drugs and devices. Since leaving the FDA, she has held increasingly responsible roles in the healthcare industry for national and global companies. In her previous position with Coram, Inc., she was responsible for the overall compliance program, clinical services program, Model Office System for operation standardization, and company quality initiatives. Ms. Brown has been active in a number of industry organizations, including the Regulatory Affairs Professional Society, the FDA Alumni Association, the American Society for Quality, and the Health Care Compliance Association. She has also been member of the FDA, USP and ISO working groups.

- **Mary F. Zega, Senior Vice President, Operations:** Ms. Zega has been with Coram and its predecessor companies since 1989 and has held multiple positions during that time including Nurse Manager, Branch Manager, Midwest Regional Vice President of Operations and, currently, Senior Vice President of Operations. In her current role, Ms. Zega is not only responsible for policy and procedure development, clinical project management, management field training and branch operating system installations globally for Coram, but also responsible for the operations, clinical oversight, materials management, asset management, compliance, regulatory, fiscal, and budgetary functions in all of the Coram and Coram subsidiary branch locations nationally. In addition to Ms. Zega's clinical and operations roles at Coram, she has served in multiple corporate positions including Management Committee Member, Steering Committee Member and Medical Advisory Board Member for several of Coram's operating subsidiaries. Ms. Zega earned a Bachelor of Science in Nursing from Lewis University, Romeoville, Illinois and has maintained her Registered Nurse licensure in Illinois since 1984 and Indiana since 1990.

TN CON Application Part A, Section 4
CORPORATE WRITE-UP

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- **Robert T. Allen, CPA, President & Chief Operating Officer of Coram LLC and President, Chief Financial Officer & Treasurer of Applicant and CSIS:** Mr. Allen has been with Coram since 2005 and served previously as Coram's Executive Vice President of Operations and as Chief Financial Officer. Mr. Allen has extensive experience in the healthcare and financial worlds. Mr. Allen comes to Coram after serving as CFO for Titan Health Corporation, a venture-funded specialty focused surgery center company based in Sacramento, California. Prior to working for Titan, he was CFO for American Medical Response, Inc. (AMR) medical transportation and physician practice management company based in Aurora, Colorado.. Mr. Allen has a B.S. in Business Administration from Chico State University and completed the Executive Finance Program through Stanford University.
- **Michael E. Dell, Senior Vice President, Associate General Counsel and Secretary, of Coram LLC and Senior Vice President, General Counsel, Secretary and Director of Applicant and CSIS:** Mr. Dell has been in his role with the Coram Legal Department since 2001. Prior to his position with Coram, Mr. Dell worked as an Associate in the Health Care and Business Organizations departments of Reinhart, Boerner & Van Deuren, a Milwaukee, Wisconsin based law firm. Mr. Dell earned his B.A. degree from the University of Colorado at Boulder and earned a J.D. degree from the Vanderbilt University School of Law, Nashville, Tennessee.
- **Harriet Albery, Chief Commercial Officer:** Ms. Albery is the Chief Commercial Officer of Coram LLC. Ms. Albery re-joined Coram in 2008 and has held several senior management positions in the Coram Sales Department including Senior Vice President and Executive Vice President. Ms. Albery previously worked with Coram for five years in varying roles including financial planning and investor relations, and prior to her departure in 2000 was the Vice President of Pricing & Contracting. Ms. Albery returned to Coram in 2008 after spending over five years with Walgreens-OptionCare, where she held the position of Vice President, Sales and Marketing. Ms. Albery earned a dual bachelor's degree in

English and Political Science from the University of Colorado, and an MBA in Finance and Marketing from Tulane University.

- **Fred Stepan, Chief Financial Officer:** Fred Stepan joined Coram as Chief Financial Officer in July 2012. Mr. Stepan has over 30 years of experience in Finance and Accounting. He served previously as the CFO at The Scooter Store, CFO at Symtx, Vice President of Finance at ALL.com, and also held several senior leadership positions at US West. In addition, Mr. Stepan was a Senior Accountant and CPA at Deloitte. He earned a Bachelor's degree in Accounting from the University of Notre Dame, and an MBA in Finance from the University of Washington.
- **Joseph Kress, Chief Information Officer:** Joseph Kress joined Coram as Chief Information Officer in July 2013. Mr. Kress has experience primarily in the medical/surgical and pharmaceutical wholesale distribution industries. He was previously with McKesson Corporation in San Francisco, where he worked for the last 14 years in positions of increasing responsibility. His most recent role was as Senior Vice President of Indirect Spend PMO (Project Management Office), in which he managed a cross-functional team consisting of IT, Corporate Procurement, Change Leadership, Communications, Program Management, and Finance. Prior to that, he served as Senior Vice President, Foundation Services at McKesson IT. Mr. Kress received a Master of Science in Industrial Administration from Carnegie Mellon University, and a Bachelor of Science in Chemical Engineering from the University of California at Berkeley.
- **Ann Bozeman, Senior Vice President, Human Resources:** Ann Bozeman joined Coram in July 2012 as the Senior Vice President of Human Resources. In this role, she is responsible for overseeing all Human Resources aspects for Coram. Prior to joining Coram, she was the Vice President of Global Human Resources at Jeppesen, a subsidiary of The Boeing Company. Ms. Bozeman brings over 20 years of human resource experience to Coram serving in Human Resource leadership roles for Conagra Foods, Dell and Lockheed Martin. Ms. Bozeman earned a Bachelor's degree in Nursing from Regis University and a Bachelor's Degree in Human Resources Management from Colorado Christian University. Ms. Bozeman has also received her coaching certification through the Hudson Institute of Coaching and is Six Sigma Green Belt certified.
- **Margaret Brown, Senior Vice President, Quality and Compliance, Corporate Compliance Officer:** Margaret F. Brown is Senior Vice President of Ethics and Compliance and Corporate Compliance Officer. Ms. Brown oversees the Coram Corporate Compliance Program, which includes all elements of the recommended Office of the Inspector

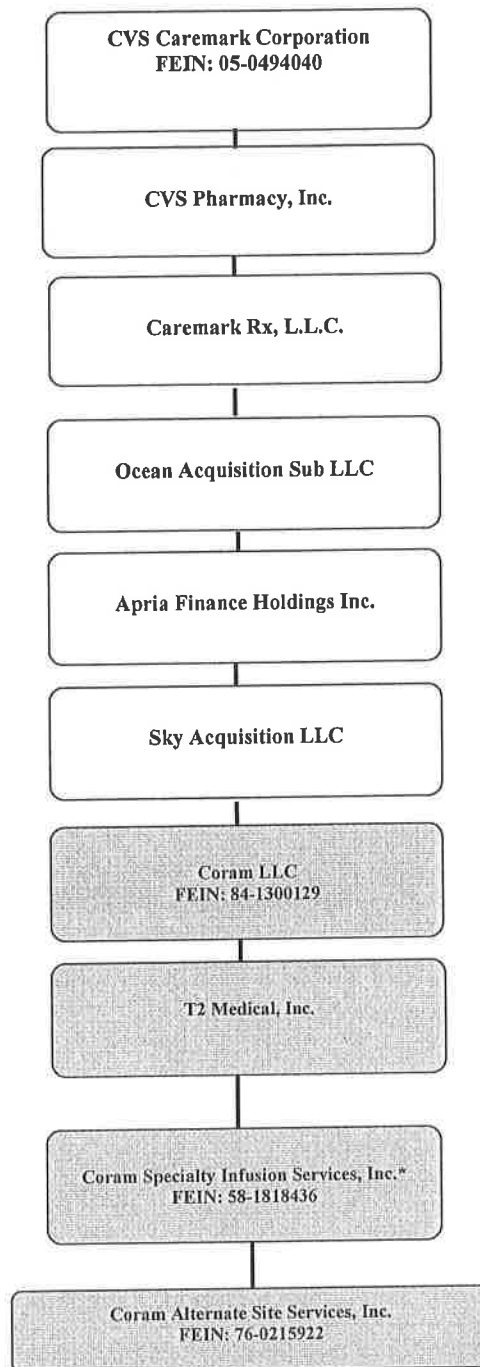
General's (OIG) compliance guidelines for healthcare organizations. A 1972 graduate of the University of Wisconsin, Madison, with a B.S. in Bacteriology, Ms. Brown has over 35 years of experience in the areas of quality, clinical management and regulatory compliance in both FDA-regulated products manufacturing and healthcare services organizations. Ms. Brown began her career as an investigator in the Chicago district office of the FDA (U.S. Food and Drug Administration), specializing in biological and radiopharmaceutical drugs and devices. Since leaving the FDA, she has held increasingly responsible roles in the healthcare industry for national and global companies. In her previous position with Coram, Inc., she was responsible for the overall compliance program, clinical services program, Model Office System for operation standardization, and company quality initiatives. Ms. Brown has been active in a number of industry organizations, including the Regulatory Affairs Professional Society, the FDA Alumni Association, the American Society for Quality, and the Health Care Compliance Association. She has also been member of the FDA, USP and ISO working groups.

- **Mary F. Zega, Senior Vice President, Operations:** Ms. Zega has been with Coram and its predecessor companies since 1989 and has held multiple positions during that time including Nurse Manager, Branch Manager, Midwest Regional Vice President of Operations and, currently, Senior Vice President of Operations. In her current role, Ms. Zega is not only responsible for policy and procedure development, clinical project management, management field training and branch operating system installations globally for Coram, but also responsible for the operations, clinical oversight, materials management, asset management, compliance, regulatory, fiscal, and budgetary functions in all of the Coram and Coram subsidiary branch locations nationally. In addition to Ms. Zega's clinical and operations roles at Coram, she has served in multiple corporate positions including Management Committee Member, Steering Committee Member and Medical Advisory Board Member for several of Coram's operating subsidiaries. Ms. Zega earned a Bachelor of Science in Nursing from Lewis University, Romeoville, Illinois and has maintained her Registered Nurse licensure in Illinois since 1984 and Indiana since 1990.

Applicant's ultimate parent is CVS Caremark Corporation ("CVS"). CVS is a public company and files quarterly and annual reports with the Securities and Exchange Commission (SEC) and also available at cvscaremark.com. Its most recent annual report (10-K) as of December 31, 2013 is attached hereto as Item 4.

The Coram/CVS organizational chart is provided on the following page.

**Coram LLC Corporate Structure
(as of 01-16-2014)**



() Coram Specialty Infusion Services, Inc. hold 100 percent ownership of Coram Alternate Site Services, Inc. issued shares.*

NICOLE H. KIRBY, RN, MBA

P.O. Box 1734
Cordova, TN 38088

Email: NHARRISRN@AOL.COM

Cell: 901-361-6654
Residence: 901-251-6164

CAREER PROFILE

NURSING LEADERSHIP

Registered Nurse with 15 years of healthcare experience with career emphasis in healthcare sales and education; Clinical focus in Infusion and Cardiovascular management. Strong operational, project management and team building skills. Desires opportunity to apply MBA concepts and scientific knowledge to expand educational programs/methods with patients and providers to drive compliance and market utilization.

- Strategic Planning
- INSIGHTS evaluator
- EQ- Emotional Intelligence
- Diabetes (IDDM, NIDDM)
- IVIG (PID)
- Congestive Heart Failure
- Coronary Artery Disease
- ER- Trauma/Chest Pain
- Regulations- OSHA, JACHO, PHrMA
- Intrathecal Pain Management

HONORS, AWARDS & ACCOMPLISHMENTS

- * Year to Date- 8 face to face Clinical in-service with nurses and nurse practitioners at home health agencies & St Jude Childrens Research Hospital. Numerous patient education visits pre-start of care. Successful pull through with CE webinars. Facilitated oversight & change management in accordance with regulatory compliance audit clean up.
- * Market Development = 400% growth in first 2 quarters (infusion services)
- * Recaptured 30% in labor cost/lost time for worker's compensation injuries through implementation of onsite patient management programs; Decreased CHF core measures defect rate for physicians by 10%
- * #1 sales district nationally for men's health/ diabetes division; Top 10% territory rank, increased market share of new to market drug to 30% within 8months of product launch ; quota trip
- * Top 15% territory rank, District MVP; Division quota trip

PROFESSIONAL CREDENTIALS

| | | |
|----------------------|---|---|
| Education | B.S.N (May, 1996) M.B.A. (July, 2010) | North Carolina Agricultural & Technical State Univ. (Greensboro, NC) University of Phoenix (Memphis, TN) |
| RN Licensure | TN (compact), NY(Inactive), NJ | |
| Continuing Education | BLS, ACLS, PALS, TNCC, IV-Certified, ITB Pump, EKG, Electrophysiology Core, Cardiac Rehab Arrhythmia Management, CRNI Prep, Infection Control, Transplant series, Case Management, etc. | |
| Affiliations | Emergency Nurses Association, National Association of Health Service Executives, Sigma Theta Tau, Delta Sigma Theta Sorority Inc. (2012-2013-Executive Board- GEMS Co-Chair) | |

PROFESSIONAL EXPERIENCE

- Coram Specialty Infusion (Memphis, TN)** 2011- Present
Regional Nurse Manager- Oversee care and education of patients receiving specialty infusions in the home. Coordinate contracted agency nursing care (CON state) with HHA. Negotiate sub-contract pricing within managed care and regulatory guidelines. Clinical therapeutic focus includes TPN, IVIG, SCIG, Alpha-1, Inotropes, Aminoglycosides & other specialty anti-infectives. Primary Case management in partnership with onsite pharmacist, nutritionist and community/ hospital based physicians. Clinical and documentation QI. Utilization Review of home health agency documentation. Coaching/ nursing staff development in Nashville/ Knoxville branches; Performance evaluation, disciplinary action and new hire candidate assessment. Policy development and implementation. Regulatory compliance of state, federal and industry specific guidelines.
- Basic Home Infusion (Memphis, TN)** 2008- 2011
RN Manager- Care of 35 specialty infusion patients including diagnosis of Pain, MS & Leukodystrophy. Clinical in-service of 50+ physician and healthcare personnel. Provided initial training, continuing education, and evaluation of regional staff nurses.
- Business Health Solutions (Collierville, TN)** 2008-2009
Workers Comp Case Manager/ Occupation Health RN- clinical care and education of 200 plant employees regarding chronic and acute illness. Common diagnosis include (repetitive motion injuries, back strain, crush injury). Coordination of benefits for work related injuries. Corporate goal focus on minimize risk of injury through team assessment; minimize lost time through increased opportunities for ongoing health services on an outpatient basis. Coordinate surveillance as needed. Negotiate alternative work accommodations with employers.
- Saint Francis Hospital (Memphis, TN)** 2007- 2009
Electrophysiology/ Cardiac Cath/ Cardiac-Ed. RN- clinical care pre, intra and post cardiac electrophysiology or cath lab procedure. Scrub, circulate and monitor during procedures. Provide conscious sedation and monitoring. Float to Chest pain ER. Education of physicians and nurses post audits regarding core measures, documentation and interventions.
- Eli Lilly & Co. (Charlotte, NC) 2003-2006**
Pharmaceutical Sales Representative Diabetes Division- Pre-call planning to meet health care professionals. Directed discussion to evaluate HCP needs regarding disease state management and product utilization. Foster ongoing relationships and development of key opinion leaders to create advocates in the market place including pharmacy and therapeutics committees. Physician segment included endocrinology, urology, gynecology and hospitalist; Analyze territory data to optimize interactions with HCPs and utilization of corporate resources; Coordinate speaker development for grand rounds and medical association meetings. Product portfolio (Cialis, Evista, Forteo, Humalog, Humalin, Byetta)
- Wesley Medical Staffing (Gastonia, NC)** 2002-2006
Agency RN - Care of patients in ER/trauma, critical care, pain management clinic and orthopedics Majority of time spent in 56 bed Level 2 ER caring for cardiac/ chest pain patients / fast track. Triage experience.
- Northeast Medical Center (Concord, NC)** 2002-2003
Clinical Mentor – Clinical and didactic education of new graduate and experienced new hire RNs in acute care setting. Focus on RN retention through ongoing education and skill development; emphasis on critical thinking as a part of the nursing care model. Inter-discipline education in preparation for regulatory evaluation including JCAHO and MAGNET.
- Merck & Co. (New Brunswick, NJ) 2000-2002**
Pharmaceutical Sales Rep - Pre-call planning to meet health care professionals. Directed discussion to evaluate HCP needs regarding disease state management and product utilization. Foster ongoing relationships and development of key opinion leaders to create advocates in the market place including pharmacy and therapeutics committees. Physician segment included PCP, gynecology, pediatricians and rheumatologists; Analyze territory data to optimize interactions with HCPs and utilization of corporate resources; Coordinate speaker development for grand rounds and medical association meetings; Community outreach initiatives and health screenings; Product profile (Vioxx, Singulair, Fosamax, Pepcid, Propecia, Zocor).
- Medical Center Healthcare (Livingston, NJ)** 1999-2002
Agency/Travel RN – Care of patients across the lifespan in ER settings including suburban (Saint Barnabas Medical Center) and inner city (Newark Beth Israel Medical Center) community facilities. Clinical focus on cardiology, women's health and trauma; large sickle cell anemia & dual diagnosis population.

Robert Wood Johnson University Hospital (New Brunswick, NJ)

1999

Travel RN – Level 1 trauma center. Care of adult trauma patients and emergency management of university students.**Presbyterian Healthcare (Charlotte, NC)**

1998-1999

Radiology Nurse – Care of patients during non invasive cardiac stress testing. Care of patient pre, intra and post special procedures including neuro- interventional embolizations.**Mercy Hospital (Charlotte, NC)**

1996-1999

Surgical Telemetry RN- Care of post operative patients requiring cardiac monitoring including abdominal, neuro-spinal and open heart surgery patients. Skilled in wound care, diabetes management, advanced assessment, chest tubes, surgical drainage systems and EKG interpretation

COMPUTERS

- | | |
|--------------------------|--------------------|
| • Microsoft Office Suite | • Learning Central |
| • Outlook | • MedHost |
| • Cerner Basic CPOE | • Meditech |
| • Vax Systems | |
| • Nurse-Billing | |

REFERENCES

*Available Upon Request

ATTACHMENT, SECTION A, ITEM 4.2

CORAM ALTERNATE SITE SERVICES, INC.

**CVS CAREMARK CORPORATION
ANNUAL REPORT, DECEMBER 31, 2013**

10-K 1 cvs-20131231x10k.htm 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
FORM 10-K

- ☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
 For the fiscal year ended December 31, 2013
- OR**
- ☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
 For the transition period from to
 Commission file number 001-01011

CVS CAREMARK CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware **050494040**
 (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One CVS Drive, Woonsocket, Rhode Island **02895**
 (Address of principal executive offices) (Zip Code)

(401) 765-1500
 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

| | |
|--|---|
| Common Stock, par value \$0.01 per share Title of each class | New York Stock Exchange Name of each exchange on which registered |
|--|---|

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates was approximately \$69,980,197,924 as of June 30, 2013, based on the closing price of the common stock on the New York Stock Exchange. For purposes of this calculation, only executive officers and directors are deemed to be the affiliates of the registrant.

As of February 4, 2014, the registrant had 1,182,427,156 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Filings made by companies with the Securities and Exchange Commission sometimes "incorporate information by reference." This means that the company is referring you to information that was previously filed or is to be filed with the SEC, and this information is considered to be part of the filing you are reading. The following materials are incorporated by reference into this Form 10-K:

· Portions of our Annual Report to Stockholders for the fiscal year ended December 31, 2013 are incorporated by reference in our response to Items 7, 8 and 9 of Part II.

· Information contained in our Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated by reference in our response to Items 10 through 14 of Part III.

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PART I

Item 1. Business

Overview

CVS Caremark Corporation (“CVS Caremark”, the “Company”, “we,” “our” or “us”), together with its subsidiaries, is the largest integrated pharmacy health care provider in the United States. We are uniquely positioned to deliver significant benefits to health plan sponsors through effective cost management solutions and innovative programs that engage plan members and promote healthier and more cost-effective behaviors. Our integrated pharmacy services model enhances our ability to offer plan members and consumers expanded choice, greater access and more personalized services to help them on their path to better health. We effectively manage pharmaceutical costs and improve health care outcomes through our pharmacy benefit management (“PBM”), mail order and specialty pharmacy division, CVS Caremark® Pharmacy Services; our more than 7,600 CVS/pharmacy®, Longs Drugs® and Drogaria Onofre® retail stores; our retail-based health clinic subsidiary, MinuteClinic®; and our online retail pharmacies, CVS.com® and Onofre.com.br.

We currently have three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate.

Pharmacy Services Segment

The Pharmacy Services Segment provides a full range of PBM services, as described more fully below, to our clients consisting primarily of employers, insurance companies, unions, government employee groups, managed care organizations (“MCOs”) and other sponsors of health benefit plans and individuals throughout the United States. In addition, through our SilverScript Insurance Company (“SilverScript”) subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the Federal Government’s Medicare Part D program. The Pharmacy Services Segment operates under the CVS Caremark® Pharmacy Services, Caremark®, CVS Caremark®, CarePlus CVS/pharmacy®, RxAmerica®, Accordant®, SilverScript® and Novologix® names. As of December 31, 2013, the Pharmacy Services Segment operated 25 retail specialty pharmacy stores, 11 specialty mail order pharmacies and four mail service dispensing pharmacies located in 22 states, Puerto Rico and the District of Columbia.

Pharmacy Services Business Strategy - Our business strategy centers on providing innovative pharmaceutical solutions and quality client service in order to enhance clinical outcomes for our clients’ health benefit plan members while assisting our clients and their plan members in better managing overall health care costs. Our goal is to produce superior results for our clients and their plan members by leveraging our expertise in core PBM services, including: plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management.

In addition, as a fully integrated pharmacy services company, we are able to offer our clients and their plan members a variety of programs and plan designs that benefit from our integrated information systems and the ability of our more than 26,000 pharmacists, nurse practitioners and physician assistants to interact personally with the many plan members who shop our stores every day. Through our multiple member touch points (retail stores, mail order and specialty pharmacies, retail clinics, call centers, proprietary websites and mobile devices), we seek to engage plan members in behaviors that lower cost and improve health care outcomes. Examples of these programs and services include: Maintenance Choice®, a program where eligible client plan members can elect to fill their maintenance prescriptions at our retail pharmacy stores for the same price as mail order; Pharmacy Advisor®, a program that facilitates face-to-face and telephone counseling by our pharmacists to help participating plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions; compliance and persistency programs designed to ensure that patients take their medications in the proper manner; enhanced disease management programs that are targeted at managing chronic disease states; and an ExtraCare® Health Card program which offers discounts to eligible plan members on certain over-the-counter health care products sold in our CVS/pharmacy stores. In addition, MinuteClinic® is an important and differentiated part of the enterprise capabilities available to PBM members. Ways we are working with our clients include partnerships with health plan clients sponsoring patient centered medical homes, biometric screening opportunities, closing gaps in care, co-pay reductions to encourage use of MinuteClinic and onsite clinics at client corporate headquarters.

PBM Services - Our PBM services are described more fully below.

Plan Design and Administration - Our clients sponsor pharmacy benefit plans that facilitate the ability of eligible members in these plans to receive prescribed medications. We assist our clients in designing pharmacy benefit plans that minimize the costs to the client while prioritizing the welfare and safety of the clients' members. We also administer these benefit plans for our

clients and assist them in monitoring the effectiveness of these plans through frequent, informal communications as well as through a formal annual client review.

We make recommendations to our clients encouraging them to design benefit plans promoting the use of the lowest cost, most clinically appropriate drug. We help our clients control costs by recommending plan designs that encourage the use of generic equivalents of brand name drugs when such equivalents are available. Our clients also have the option, through plan design, to further lower their pharmacy benefit plan costs by setting different member payment levels for different products on their drug lists.

Formulary Management - We utilize an independent panel of doctors, pharmacists and other medical experts, referred to as our Pharmacy and Therapeutics Committee, to select drugs that meet the highest standards of safety and efficacy for inclusion on our drug lists. Our drug lists provide recommended products in numerous drug classes to ensure member access to clinically appropriate alternatives under the client's pharmacy benefit plan. To improve clinical outcomes for members and clients, we conduct ongoing, independent reviews of all drugs, including, but not limited to, those appearing on the drug lists and generic equivalent products, as well as our clinical programs. Many of our clients choose to adopt our drug lists as part of their plan design.

Discounted Drug Purchase Arrangements - We negotiate with pharmaceutical companies to obtain discounted acquisition costs for many of the products on our drug lists, and these negotiated discounts enable us to offer reduced costs to clients that choose to adopt our drug lists. The discounted drug purchase arrangements we negotiate typically provide for volume discounts and/or the payment by the pharmaceutical companies of retroactive discounts, or rebates, from established list prices. For certain products that are purchased by our pharmacies, we receive discounts at the time of purchase and/or discounts for prompt payment of invoices. We also receive various purchase discounts under our wholesale contracts, which may include retroactive discounts, or rebates, if we exceed contractually-defined purchase volumes. We record these discounts, regardless of their form, as a reduction of our cost of revenues.

Medicare Part D Services - We participate in the administration of the drug benefit added to the Medicare program under Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("Medicare Part D") through the provision of PBM services to our health plan clients and other clients that have qualified as Medicare Part D prescription drug plans ("PDP"). We also participate (i) by offering Medicare Part D pharmacy benefits through our subsidiary, SilverScript, which has been approved as a PDP by the Centers for Medicare and Medicaid Services ("CMS"), and (ii) by assisting employer, union and other health plan clients that qualify for the retiree drug subsidy available under Medicare Part D by collecting and submitting eligibility and/or drug cost data to CMS in order for them to obtain the subsidy.

Mail Order Pharmacy - As of December 31, 2013, we operated four mail service dispensing pharmacies in the United States. Plan members or their prescribers submit prescriptions or refill requests, primarily for maintenance medications, to these pharmacies via mail, telephone, fax, e-prescribing or the Internet. We also operate a network of smaller mail service specialty pharmacies described below. Our staff pharmacists review mail service prescriptions and refill requests with the assistance of our prescription management systems. This review may involve communications with the prescriber and, with the prescriber's approval, can result in generic substitution, therapeutic interchange or other actions designed to reduce cost and improve quality of treatment. These pharmacies have been awarded Mail Service Pharmacy accreditation from Utilization Review Accreditation Commission ("URAC"), a Washington DC-based health care accrediting organization that establishes quality standards for the health care industry.

Specialty Pharmacy - Our specialty pharmacies support individuals that require complex and expensive drug therapies. As of December 31, 2013, our specialty pharmacies were comprised of 11 specialty mail order pharmacies located throughout the United States that are used for delivery of advanced medications to individuals with chronic or genetic diseases and disorders. Substantially all of these pharmacies have been accredited by the Joint Commission, which is an independent, not-for-profit organization that accredits and certifies more than 20,000 health care organizations and programs in the United States. These pharmacies have also been awarded Specialty Pharmacy accreditation from URAC. As of December 31, 2013, the Company operated a network of 25 retail specialty pharmacy stores, which operate under the CarePlus CVS/pharmacy® name. These stores average 2,600 square feet in size and sell prescription drugs and a limited assortment of front store items such as alternative medications, homeopathic remedies and vitamins. In January 2014, we enhanced our offerings of specialty infusion services and began offering enteral nutrition services through our subsidiary

Coram LLC ("Coram"), which we acquired on January 16, 2014. Coram is one of the nation's largest providers of comprehensive infusion services, caring for approximately 165,000 patients annually.

Retail Pharmacy Network Management - We maintain a national network of nearly 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies (which includes our CVS/pharmacy stores) and 27,000 independent pharmacies, in the

United States, including Puerto Rico and the District of Columbia. When a customer fills a prescription in a retail pharmacy, the pharmacy sends prescription data electronically to us from the point-of-sale. This data interfaces with our proprietary prescription management systems, which verify relevant plan member data and eligibility, while also performing a drug utilization review to evaluate clinical appropriateness and safety and confirming that the pharmacy will receive payment for the prescription.

Prescription Management Systems - We dispense prescription drugs both directly, through one of our mail service or specialty pharmacies, or through a network of retail pharmacies. All prescriptions, whether they are filled through one of our mail service dispensing pharmacies or through a pharmacy in our retail network, are analyzed, processed and documented by our proprietary prescription management systems. These systems assist staff and network pharmacists in processing prescriptions by automating review of various items, including, but not limited to, plan eligibility, early refills, duplicate dispensing, appropriateness of dosage, drug interactions or allergies, over-utilization and potential fraud.

Clinical Services - We offer multiple clinical programs and services to help clients manage overall pharmacy and health care costs in a clinically appropriate manner. Our programs are primarily designed to promote safety, and to target inappropriate utilization and non-adherence to medication, each of which may result in adverse medical events that negatively impact member health and client pharmacy and medical spend. In this regard, we offer various utilization management, medication management, quality assurance, adherence and counseling programs to complement the client's plan design and clinical strategies.

Disease Management Programs - Our clinical services utilize advanced protocols and offer clients convenience in working with health care providers and other third parties. Our Accordant® programs include integrated rare disease management programs, which cover diseases such as rheumatoid arthritis, Parkinson's disease, seizure disorders and multiple sclerosis. The majority of these integrated programs are accredited by the National Committee for Quality Assurance, a private, not-for-profit organization that evaluates, accredits and certifies a wide range of health care organizations. They have also been awarded Case Management Accreditation from URAC.

Medical Pharmacy Management - We offer a technology platform that helps identify and capture cost savings opportunities for specialty drugs billed under the medical benefit and helps ensure appropriate clinical use of these drugs.

Pharmacy Services Information Systems - We currently operate several adjudication platforms to support our Pharmacy Services Segment. The information systems incorporate architecture that centralizes the data generated from filling mail service prescriptions, adjudicating retail pharmacy claims and fulfilling other services we provide to PBM clients.

Pharmacy Services Clients - Our clients are primarily sponsors of health benefit plans (employers, insurance companies, unions, government employee groups and MCOs) and individuals located throughout the United States. We provide pharmaceuticals to eligible members in benefit plans maintained by our clients and utilize our information systems, among other things, to perform safety checks, drug interaction screening and generic substitution. We generate substantially all of our Pharmacy Services Segment net revenue from dispensing prescription drugs to eligible members in benefit plans maintained by our clients. No single PBM client accounted for 10% or more of our total consolidated revenues in 2013. Our client agreements are subject to renegotiation of terms. See "Risk Factors — Efforts to reduce reimbursement levels and alter health care financing practices" and "Risk Factors — Risks of declining gross margins in the PBM industry." During the year ended December 31, 2013, our PBM filled or managed approximately 902 million prescriptions.

Pharmacy Services Seasonality - The majority of our Pharmacy Services Segment revenues are not seasonal in nature.

Pharmacy Services Competition - We believe the primary competitive factors in the industry include: (i) the ability to negotiate favorable discounts from drug manufacturers; (ii) the ability to negotiate favorable discounts from, and access to, retail pharmacy networks; (iii) responsiveness to clients' needs; (iv) the ability to identify and apply effective cost management programs utilizing clinical strategies; (v) the ability to develop and utilize preferred drug lists; (vi) the ability to market PBM products and services; (vii) the commitment to provide flexible, clinically-oriented services to clients; and (viii) the quality, scope and costs of products and services offered to clients and their members. The Pharmacy Services Segment has a significant number of competitors offering PBM services (e.g., Express Scripts, OptumRx, Catamaran and Prime Therapeutics) including large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs.

Retail Pharmacy Segment

As of December 31, 2013, the Retail Pharmacy Segment included 7,660 retail drugstores, of which 7,603 operated a pharmacy, our online retail pharmacy websites, CVS.com and Onofre.com.br, 17 onsite pharmacy stores and our retail health care clinics.

The retail drugstores are located in 43 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS/pharmacy®, Longs Drugs® and Drogaria Onofre® names. We currently operate in 95 of the top 100 U.S. drugstore markets and hold the number one or number two market share in 86 of these markets. CVS/pharmacy stores sell prescription drugs and a wide assortment of over-the-counter and personal care products, beauty and cosmetic products, and general merchandise, which we refer to as “front store” products. Existing retail stores range in size from approximately 5,000 to 30,000 square feet, although most new stores range in size from approximately 8,000 to 13,000 square feet and typically include a drive-thru pharmacy. During 2013, we filled 734 million retail prescriptions, or approximately 21% of the U.S. retail pharmacy market.

As of December 31, 2013, we operated 800 retail health care clinics in 28 states and the District of Columbia under the MinuteClinic® name, 792 of which were located within CVS/pharmacy stores.

Retail Pharmacy Business Strategy - Our integrated pharmacy services model has enhanced the ability of our retail pharmacy stores to expand customer access to care while helping to lower overall health care costs and improve health outcomes. In that regard, the role of our retail pharmacist is shifting from primarily dispensing prescriptions to also providing services, including flu vaccinations as well as face-to-face patient counseling with respect to adherence to drug therapies, closing gaps in care and more cost effective drug therapies. In addition, personalization is core to our retail strategy. We have a number of initiatives underway, such as ExtraCare and a weekly individually tailored circular that acts as a personal shopper for the customer, that are designed to help us connect directly with individual consumers to deliver a personalized experience. We also provide a broad assortment of quality merchandise at competitive prices using a retail format that emphasizes service, innovation and convenience. One of the keys to our strategy is technology, which allows us to focus on constantly improving service and exploring ways to provide more personalized product offerings and services. We believe that continuing to be the first to market with new and unique products and services, using innovative marketing and adjusting our mix of merchandise to match our customers’ needs and preferences is very important to our ability to continue to improve customer satisfaction.

Retail Pharmacy Products and Services - A typical CVS/pharmacy store sells prescription drugs and a wide assortment of high-quality, nationally advertised brand name and proprietary brand merchandise. Front store categories include over-the-counter drugs, beauty products and cosmetics, photo finishing services, seasonal merchandise, greeting cards and convenience foods. We purchase our merchandise from numerous manufacturers and distributors. We believe that competitive sources are readily available for substantially all of the products we carry and the loss of any one supplier would not likely have a material effect on the business.

Retail Pharmacy Segment net revenues by major product group are as follows:

| | Percentage of Net Revenues ⁽¹⁾ | | |
|------------------------------------|---|--------|--------|
| | 2013 | 2012 | 2011 |
| Prescription drugs | 69.5% | 68.8% | 68.3% |
| Over-the-counter and personal care | 11.0 | 10.9 | 10.9 |
| Beauty/cosmetics | 4.9 | 5.0 | 5.2 |
| General merchandise and other | 14.6 | 15.3 | 15.6 |
| | 100.0% | 100.0% | 100.0% |

(1) Percentages are estimates based on store point-of-sale (“POS”) data.

Pharmacy - Pharmacy revenues represented more than two-thirds of Retail Pharmacy revenues in each of 2013, 2012 and 2011. We believe that our pharmacy operations will continue to represent a critical part of our business due to favorable industry trends (e.g., an aging American population consuming a greater number of prescription drugs, pharmaceuticals being used more often as the first line of defense for managing illness, and the impact of expanded health insurance coverage through the Affordable Care Act), the introduction of new pharmaceutical products, Medicare Part D and our ongoing program of purchasing customer lists from independent pharmacies. We believe our pharmacy business benefits from our investment in both people and technology. Given the nature of prescriptions, people want their prescriptions filled accurately by professional pharmacists using the latest tools and technology, and ready when promised. Consumers

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need medication management programs and better information to help them get the most out of their health care dollars. To assist our customers with these needs, we have introduced integrated pharmacy health care services that provide an earlier, easier and more effective approach to engaging them in behaviors that can help lower costs, improve health, and save lives. Examples include: our Patient Care Initiative, an enhanced medication adherence program; Maintenance Choice[®], a program where eligible client plan members can elect to fill their maintenance prescriptions at our retail pharmacy stores for the same price as mail order; and Pharmacy Advisor[®], our program that facilitates pharmacist counseling, both face-to-face and over the telephone, to help participating

plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions. Further evidencing our belief in the importance of pharmacy service is our continuing investment in technology, such as our Drug Utilization Review system that checks for harmful interactions between prescription drugs, over-the-counter products, vitamins and herbal remedies; our pharmacy fulfillment system, Rx Connect; our prescription refill program, ReadyFill®; and our online business, CVS.com®.

Front Store - Front store revenues benefited from our strategy to be the first to market with new and unique products and services, using innovative marketing and adjusting our mix of merchandise to match our customers' needs and preferences. A key component of our front store strategy is our ExtraCare® card program, which is helping us continue to build our loyal customer base. The ExtraCare program is one of the largest and most successful retail loyalty programs in the United States. In addition, the ExtraCare program allows us to balance our marketing efforts so we can reward our best customers by providing them automatic sale prices, customized coupons, ExtraBucks® rewards and other benefits. Another component of our front store strategy is our unique product offerings, which include a full range of high-quality CVS/pharmacy® and proprietary brand products that are only available through CVS/pharmacy stores. We currently carry over 4,300 CVS/pharmacy and proprietary brand products, which accounted for approximately 18% of our front store revenues during 2013. Furthermore, we are tailoring certain groups of stores, such as our urban cluster stores, to better meet the needs of our customers.

MinuteClinic - As of December 31, 2013, we operated 800 MinuteClinic® locations in 28 states and the District of Columbia; of which 792 were located in CVS/pharmacy stores. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations. Many locations have also begun treating a variety of chronic conditions. Insurers value MinuteClinic because it provides convenient, high-quality, cost-effective care, in many cases offering an attractive alternative to more expensive sites of care. As a result, visits paid for by employers, health insurers or other third parties accounted for approximately 85% of MinuteClinic's total revenues in 2013. We anticipate opening up approximately 150 new clinics in CVS/pharmacy stores during 2014. MinuteClinic is collaborating with our Pharmacy Services Segment to help meet the needs of CVS Caremark's client plan members by offering programs that can improve member health and lower costs. MinuteClinic is now affiliated with 30 major health systems.

Onsite Pharmacies - We also operate a limited number of small pharmacies located at client sites under the CarePlus CVS/pharmacy® or CVS/pharmacy® name, which provide certain health plan members and customers with a convenient alternative for filling their prescriptions.

Retail Pharmacy Store Development - The addition of new stores has played, and will continue to play, a major role in our continued growth and success. Our store development program focuses on three areas: entering new markets, adding stores within existing markets and relocating stores to more convenient, freestanding sites. During 2013, we opened 169 new retail pharmacy stores, relocated 78 stores and closed 13 stores. During the last five years, we opened more than 1,300 new and relocated stores, and acquired 82 stores. During 2014, we expect square footage growth of between 2% to 3%. We believe that continuing to grow our store base and locating stores in desirable geographic markets are essential components to compete effectively in the current health care environment. As a result, we believe that our store development program is an integral part of our ability to maintain our leadership position in the retail drugstore industry.

Retail Pharmacy Information Systems - We have continued to invest in information systems to enable us to deliver exceptional customer service, enhance safety and quality, and expand our patient care services while lowering operating costs. In 2012, we completed the rollout of our proprietary WeCARE Workflow to all retail pharmacy locations. WeCARE Workflow is an integrated suite of enhancements to our RxConnect fulfillment system, pharmacy POS terminals and phone system to support our pharmacy colleagues and customers by seamlessly integrating and prioritizing prescription fulfillment, prescriber contact management, customer service actions and patient care interventions into a cohesive workflow. In the near term, this solution delivers improved efficiency and enhances the customer experience. Longer term, the solution provides a framework to accommodate the evolution of pharmacy practice and the expansion of our clinical programs. Our Consumer Engagement Engine® technology and proprietary clinical algorithms enable us to identify opportunities for our pharmacists to deliver face-to-face counseling regarding patient health and safety matters, including adherence issues, gaps in care and management of certain chronic health conditions. Our digital strategy empowers the consumer to navigate their pharmacy experience and manage their condition through our on-line and mobile tools that offer utility and convenience. CVS.com gained a new look and added new tools, such as access to world-class

drug information and personalization of pharmacy services. We experienced strong adoption of our digital solutions with our mobile app receiving critical acclaim for ease of use and our text message program experiencing unprecedented growth.

Retail Pharmacy Customers - Managed care organizations, government-funded health care programs (including state Medicaid plans and Medicare Part D drug plans), commercial employers and other third party plans accounted for 97.9% of our

2013 pharmacy revenues. The loss of any one payor should not have a material effect on our business. No single retail payor accounts for 10% or more of our total consolidated revenues. However, the success of our retail drugstore business is dependent upon our ability to establish and maintain contractual relationships with PBMs and other payors on acceptable terms. Our contracts with commercial payors and government-funded programs are subject to renegotiation of reimbursement rates. See "Government Regulation — Reimbursement" and Item 1A., "Risk Factors — Efforts to reduce reimbursement levels and alter health care financing practices."

Retail Pharmacy Seasonality - The majority of our revenues, particularly pharmacy revenues, are generally not seasonal in nature. However, front store revenues tend to be higher during the December holiday season. For additional information, we refer you to Note 16 "Quarterly Financial Information" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Retail Pharmacy Competition - The retail drugstore business is highly competitive. We believe that we compete principally on the basis of: (i) store location and convenience, (ii) customer service and satisfaction, (iii) product selection and variety and (iv) price. In the markets we serve, we compete with other drugstore chains, supermarkets, discount retailers, independent pharmacies, membership clubs, Internet companies, and retail health clinics, as well as other mail order pharmacies and PBMs.

Corporate Segment

Our Corporate Segment provides management and administrative services to support the overall operations of the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

Generic Sourcing Venture

In December 2013, we announced the signing of an agreement with Cardinal Health, Inc. ("Cardinal Health") to form a generic pharmaceutical sourcing entity. This entity is expected to be operational as soon as July 1, 2014, and will have an initial term of ten years. Under this arrangement, both companies are contributing their sourcing and supply chain expertise to this entity and are committing to source and negotiate generic pharmaceutical supply contracts for both CVS Caremark and Cardinal Health through the entity.

Working Capital Practices

We fund the growth of our business through a combination of cash flow from operations, commercial paper, proceeds from sale-leaseback transactions and long-term borrowings. For additional information on our working capital practices, we refer you to the caption "Liquidity and Capital Resources" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein. The majority of our non-pharmacy revenues are paid in cash, debit or credit cards, while managed care and other third party insurance programs, which typically settle in less than 30 days, represented approximately 99.2% of our consolidated pharmacy revenues, including both Retail Pharmacy and Pharmacy Services combined, in 2013. The remainder of consolidated pharmacy revenues are paid in cash, debit or credit cards. Our customer returns are not significant.

Colleague Development

As of December 31, 2013, we employed approximately 208,000 colleagues, which included more than 26,000 pharmacists, nurse practitioners and physician assistants. The total included, approximately 78,000 part-time colleagues who work less than 30 hours per week. To deliver the highest levels of service to our customers, we devote considerable time and attention to our people and service standards. We emphasize attracting and training knowledgeable, friendly and helpful associates to work in our organization.

Intellectual Property

We have registered and/or applied to register a variety of our trademarks and service marks used throughout our business, as well as domain names, and rely on a combination of copyright, patent, trademark and trade secret laws, in addition to

contractual restrictions, to establish and protect our proprietary rights. We regard our intellectual property as having significant value in our Pharmacy Services and Retail Pharmacy segments. We are not aware of any facts that could materially impact our continuing use of any of our intellectual property.

Government Regulation

Overview - Our business is subject to federal and state laws and regulations that govern the purchase, sale and distribution of prescription drugs and related services, including administration and management of prescription drug benefits. Many of our PBM clients and our payors in the Retail Pharmacy Segment, including insurers and MCOs, are themselves subject to extensive regulations that affect the design and implementation of prescription drug benefit plans that they sponsor. The application of these complex legal and regulatory requirements to the detailed operation of our business creates areas of uncertainty, particularly following the enactment of the Medicare Modernization Act ("MMA") and the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, "ACA"), some of the most significant legal and regulatory developments in the past 50 years. In addition to the MMA and ACA, there are numerous proposed health care laws and regulations at the federal and state levels, some of which could adversely affect our business if they are enacted. We are unable to predict what federal or state legislation or regulatory initiatives may be enacted in the future relating to our business or the health care industry in general, or what effect any such legislation or regulations might have on our business. Any failure or alleged failure to comply with applicable laws and regulations as summarized below, or any adverse applications of, or changes in, the laws and regulations affecting our business, could have a material adverse effect on our operating results and/or financial condition.

Anti-Remuneration Laws - Federal law prohibits, among other things, an entity from knowingly and willfully offering, paying, soliciting or receiving, subject to certain exceptions and "safe harbors," any remuneration to induce the referral of individuals or the purchase, lease or order (or the arranging for or recommending of the purchase, lease or order) of items or services for which payment may be made under Medicare, Medicaid or certain other federal health care programs. A number of states have similar laws, some of which are not limited to services paid for with government funds. State laws and exceptions or safe harbors vary and have been infrequently interpreted by courts or regulatory agencies. Sanctions for violating these federal and state anti-remuneration laws may include imprisonment, criminal and civil fines, and exclusion from participation in Medicare, Medicaid and other government-sponsored health care programs. The federal anti-remuneration law has been interpreted broadly by some courts, the Office of Inspector General (the "OIG") within the United States Department of Health and Human Services ("HHS") and administrative bodies. See Item 3, "Legal Proceedings" for further information.

Antitrust and Unfair Competition - The Federal Trade Commission ("FTC") has authority under Section 5 of the Federal Trade Commission Act ("FTCA") to investigate and prosecute practices that are "unfair trade practices" or "unfair methods of competition." Numerous lawsuits have been filed throughout the United States against pharmaceutical manufacturers, retail pharmacies and/or PBMs under various state and federal antitrust and unfair competition laws challenging, among other things: (i) brand drug pricing practices of pharmaceutical manufacturers, (ii) the maintenance of retail pharmacy networks by PBMs, and (iii) various other business practices of PBMs and retail pharmacies. To the extent that we appear to have actual or potential market power in a relevant market, our business arrangements and uses of confidential information may be subject to heightened scrutiny from an anti-competitive perspective and possible challenge by state or federal regulators or private parties. See Item 3, "Legal Proceedings" for further information.

Consumer Protection Laws - The federal government has many consumer protection laws, such as the FTCA, the Federal Postal Service Act and the FTC's Telemarketing Sales Rule. Most states also have similar consumer protection laws. These laws have been the basis for investigations, lawsuits and multi-state settlements relating to, among other matters, the marketing of loyalty programs and health care services, pricing accuracy, expired front store products and financial incentives provided by drug manufacturers to pharmacies in connection with therapeutic interchange programs.

Contract Audits - We are subject to audits of many of our contracts, including our PBM client contracts, our PBM rebate contracts, our contracts relating to Medicare Part D and the agreement our pharmacies enter into with payors. Because some of our contracts are with state or federal governments or with entities contracted with state or federal agencies, audits of these agreements are often regulated by the federal or state agencies responsible for administering federal or state benefits programs, including those which operate Medicaid fee for service plans, Managed Medicaid plans, Medicare Part D plans or Medicare Advantage organizations.

Disease Management Services Regulation - We provide disease management programs to PBM plan members for rare medical conditions and arrange for them to receive disease management programs for common medical conditions. State laws regulate the practice of medicine, the practice of pharmacy and the practice of nursing. Clinicians engaged in a

professional practice in connection with the provision of disease management services must satisfy applicable state licensing requirements.

Environmental Regulation - Our business is subject to various federal, state and local laws, regulations and other requirements pertaining to protection of the environment and public health, including, for example, regulations governing the management of waste materials and waste waters. Governmental agencies on the federal, state and local levels have, in recent

years, increasingly focused on the retail sector's compliance with such laws and regulations, and have at times pursued enforcement activities.

ERISA Regulation - The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), provides for comprehensive federal regulation of certain employee pension and benefit plans, including private employer and union sponsored health plans and certain other plans that contract with us to provide PBM services. In general, we assist plan sponsors in the administration of the prescription drug portion of their health benefit plans, in accordance with the plan designs adopted by the plan sponsors. We do not believe that the conduct of our business subjects us to the fiduciary obligations of ERISA, except when we have specifically contracted with a plan sponsor to accept limited fiduciary responsibility, such as for the adjudication of initial prescription drug benefit claims and/or the appeals of denied claims under a plan, and with respect to the Contraceptive Coverage Mandate, one of the health reforms included in ACA. We and other PBMs have been named in lawsuits alleging that we act as a fiduciary, as such term is defined by ERISA, with respect to health benefit plans and that we have breached certain fiduciary obligations under ERISA.

In addition to its fiduciary provisions, ERISA imposes civil and criminal liability on service providers to health plans and certain other persons if certain forms of illegal remuneration are made or received. These provisions of ERISA are similar, but not identical, to the health care anti-remuneration statutes discussed above, although ERISA lacks the statutory and regulatory "safe harbor" exceptions incorporated into the health care statutes. Similar to these health care statutes, the corresponding provisions of ERISA are broadly written and their application to specific business practices is often uncertain.

State laws discussed in this Government Regulation section that may be applicable to us or to plan sponsors that are our customers may be preempted in whole or in part by ERISA. However, the scope of ERISA preemption is uncertain and is subject to conflicting court rulings.

False Claims and Fraudulent Billing Statutes - A range of federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant of these laws is the Federal False Claims Act ("FCA"), which prohibits the submission of a false claim or the making of a false record or statement in order to secure reimbursement from, or limit reimbursement to, a government-sponsored program. The Fraud Enforcement and Recovery Act of 2009 ("FERA") implemented substantial changes to the FCA which expands the scope of FCA liability, provides for new investigative tools and makes it easier for *qui tam* relators (often referred to as "whistleblowers") to bring and maintain FCA suits on behalf of the government. ACA further eased the burden for whistleblowers to bring and maintain FCA suits by modifying the "public disclosure" and "original source" provisions of the FCA. Most states have passed substantially similar acts. In recent years, federal and state government authorities have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws, and they have conducted numerous investigations of pharmaceutical manufacturers, PBMs, pharmacies and health care providers with respect to false claims, fraudulent billing and related matters. See Item 3, "Legal Proceedings" for further information.

FDA Regulation - The United States Food and Drug Administration ("FDA") generally has authority to regulate drugs, drug classifications and drug promotional information and materials that are disseminated by a drug manufacturer or by other persons on behalf of a drug manufacturer. The FDA also has the regulatory authority (i) over many of the products sold through retail pharmacies, including certain food items, cosmetics, dietary supplements and over-the-counter ("OTC") medications, and (ii) to require the submission and implementation of a risk evaluation and mitigation strategy ("REMS") if the FDA determines that a REMS is necessary for the safe and effective marketing of a drug. To the extent we dispense products subject to REMS requirements or provide REMS services to pharmaceutical manufacturers, we are subject to audit by the FDA and the pharmaceutical manufacturer. The FDA also has regulatory authority over medical devices such as OTC genetic tests and genetic tests conducted by medical laboratories, and the FDA continues to evaluate the need for further regulation of such tests.

Federal Employee Health Benefits Program - We have a contractual arrangement with the BlueCross BlueShield Association ("BCBSA") to provide pharmacy services to federal employees, postal workers, annuitants, and their dependents under the Government-wide Service Benefit Plan, as authorized by the Federal Employees Health Benefits Act ("FEHBA") and as part of the Federal Employees Health Benefits Program ("FEHBP"). This arrangement subjects us to FEHBA, and other federal regulations, such as the Federal Employees Health Benefits Acquisition Regulation, that otherwise are not applicable to us.

Formulary Regulation - A number of states regulate the administration of prescription drug benefits. Additionally, the National Association of Insurance Commissioners ("NAIC") has developed a model law, the "Health Carriers Prescription Drug Benefit Management Model Act," that addresses formulary regulation issues for risk-bearing entities regulated by state insurance commissioners and could form the basis of state legislation. Medicare Part D regulates how formularies are developed and administered, including requiring the inclusion of all drugs in certain classes and categories, subject to limited exceptions, on a Medicare Part D plan's formulary. ACA's Essential Health Benefits Rule also imposes minimum drug coverage

requirement for health plans subject to these requirements, including plans offered through the Federal or State Exchanges. The increasing government regulation of formularies could significantly affect our ability to develop and administer formularies on behalf of our insurer, MCO and other clients.

Government Agreements and Mandates - In March 2008, the Company entered into a settlement agreement with the federal government and a number of states related to the dispensing of the generic drug ranitidine at its retail pharmacies. At the same time, the Company entered into a corporate integrity agreement with the OIG for a period of five years applicable to certain retail and mail service operations of the Company. This 2008 corporate integrity agreement requires, among other things, maintenance of our compliance program, employee training, specific reviews by an independent review organization and various government reporting obligations. In April 2011, we entered into an amendment of the corporate integrity agreement in connection with the previously announced settlement of a federal and state government investigation of certain retail pharmacy billing practices with respect to “dual eligible” customers having both Medicaid coverage and other third-party insurance coverage. This amendment requires the Company to comply with the corporate integrity agreement, as amended, for a period of three years and further requires, among other things, additional employee training obligations, additional reporting obligations and periodic Medicaid billing reviews by an independent review organization. Failure to meet our obligations under this corporate integrity agreement, as amended, could result in stipulated financial penalties, and failure to comply with material terms could lead to exclusion of our applicable business from participation in federal health care programs.

In January 2009, we entered into separate settlement agreements with the FTC and the HHS Office for Civil Rights (“OCR”) resolving a joint investigation of disposal of patient information at a limited number of CVS/pharmacy locations. As part of the FTC settlement, we agreed to maintain an appropriate enterprise-wide information security program during the twenty-year term of the agreement with biennial compliance monitoring by an external assessor. As part of the OCR settlement, we agreed to maintain confidential waste disposal policies and procedures, training and employee sanctions at our retail stores. The OCR settlement provided for annual compliance monitoring by an external assessor. In June 2013, we received from the OCR a closure letter that noted we were in material compliance with our OCR settlement agreement and we had significantly improved our retail store processes surrounding protected health information and that our mandatory monitoring and reporting obligations were satisfied.

In October 2010, the Company entered into a non-prosecution agreement and civil settlement agreement with the U.S. Department of Justice (“DOJ”) and various United States Attorneys’ Offices relating to the sale and distribution of pseudoephedrine products at certain CVS/pharmacy stores, primarily in California and Nevada. The Company also entered into a related memorandum of agreement with the U.S. Drug Enforcement Administration (“DEA”). The non-prosecution agreement and the memorandum of agreement contain certain ongoing compliance requirements for the Company, and failure to comply with the terms of these documents could lead to civil or criminal remedies, financial penalties and/or administrative remedies against the DEA registrations for our retail pharmacies and distribution centers. The term of the non-prosecution agreement was three years and ended in October 2013. The term of the memorandum of agreement is five years.

In May 2012, a previously announced proposed consent order between the FTC and the Company became final and concluded an FTC investigation of the Company that commenced in 2009. The final consent order prohibits the Company from misrepresenting the price or cost of Medicare Part D prescription drugs or other prices or costs associated with Medicare Part D prescription drug plans.

On October 12, 2012, the DEA Administrator published its Final Decision and Order revoking the DEA license registrations for dispensing controlled substances at two of our retail pharmacy stores in Sanford, Florida. The license revocations for the two stores formally became effective on November 13, 2012. The pharmacies had voluntarily suspended dispensing controlled substances since April 2012, and have continued operating in that manner in compliance with the DEA Order.

In addition to the government agreements described above, the Company and/or its various affiliates are subject to other consent decrees or settlement agreements with various federal, state and local authorities that may contain certain ongoing reporting, monitoring or other compliance requirements for the Company. These agreements relate to such matters as privacy practices, waste disposal practices, selling expired products, environmental and safety matters, tobacco sales, marketing and advertising practices, pharmacy operations and various other business practices.

Health Reform Legislation - Congress passed major health reform legislation in 2010 referred to in this document as ACA. This legislation affects virtually every aspect of health care in the country. In addition to establishing the framework for every individual to have health coverage beginning in 2014, ACA enacted a number of significant health care reforms. While not all of these reforms affect our business directly, many affect the coverage and plan designs that are or will be provided by many of our health plan clients. As a result, these reforms could indirectly impact many of our services and business practices, and, in many other cases, directly impact our services and business practices. Given that many of the regulations implementing ACA

are still being finalized and that ongoing sub-regulatory guidance is still being issued, there is considerable uncertainty as to its full impact on our Company.

Managed Care Reform - In addition to health reforms enacted by ACA, proposed legislation has been considered at the state level, and legislation has been enacted in several states, aimed primarily at providing additional rights and access to drugs to individuals enrolled in managed care plans. This legislation may impact the design and implementation of prescription drug benefit plans sponsored by our PBM health plan clients and/or the services we provide to them. Both the scope of the managed care reform proposals considered by state legislatures and reforms enacted by states to date vary greatly, and the scope of future legislation that may be enacted is uncertain.

Medicare Part D - The Medicare Part D program, which makes prescription drug coverage available to eligible Medicare beneficiaries through private insurers, regulates all aspects of the provision of Medicare drug coverage, including enrollment, formularies, pharmacy networks, marketing, and claims processing. The Medicare Part D program has undergone significant legislative and regulatory changes since its inception, including changes made by ACA.

In April 2012, CMS issued a rule that requires coverage other than basic prescription drug coverage offered through Medicare Part D employer group waiver plans ("EGWPs") to be included in the definition of "other health or prescription drug coverage," starting January 1, 2014. CMS has clarified that, because the supplemental benefits primarily reduce cost sharing on claims covered under the basic benefit, they will continue as a practical matter to be subject to the Medicare Part D rules.

Medicare Part D continues to attract a high degree of legislative and regulatory scrutiny, and the applicable government rules and regulations continue to evolve. CMS sanctions for non-compliance may include suspension of enrollment and even termination from the program. CMS has imposed restrictions and consent requirements for automatic prescription delivery programs, further limited the circumstances under which Medicare Part D plans may recoup payments to pharmacies for claims that are subsequently determined not payable under Medicare Part D and, is expected to issue a proposed regulation that may limit the ability of Medicare Part D plans to establish preferred pharmacy networks. Accordingly, it is possible that legislative and regulatory developments and regulatory oversight could materially affect our Medicare Part D business or profitability.

Network Access Legislation - A majority of states now have some form of legislation affecting the ability to limit access to a pharmacy provider network or remove network providers. Certain "any willing provider" legislation may require us or our clients to admit a non-participating pharmacy if such pharmacy is willing and able to meet the plan's price and other applicable terms and conditions for network participation. These laws vary significantly from state to state in regard to scope, requirements and application. To the extent any state or federal any willing provider laws are determined to apply to us or to certain of our clients or to the pharmacy networks we manage for our PBM clients, such laws could negatively impact the services and economic benefits achievable through a limited pharmacy provider network.

PBM Laws and Regulation - Legislation seeking to regulate PBM activities in a comprehensive manner has been introduced or enacted in a number of states. This legislation varies in scope and often contains provisions that may impact our Company. To the extent states or other government entities enact legislation regulating PBMs that survive legal challenges to their enforceability, such legislation could adversely impact our ability to conduct business on commercially reasonable terms in locations where the legislation is in effect.

In addition, certain quasi-regulatory organizations, including the National Association of Boards of Pharmacy and the NAIC have issued model regulations or may propose future regulations concerning PBMs and/or PBM activities. Similarly, credentialing organizations such as the National Committee for Quality Assurance and the URAC may establish voluntary standards regarding PBM or specialty pharmacy activities. While the actions of these quasi-regulatory or standard-setting organizations do not have the force of law, they may influence states to adopt their requirements or recommendations and influence client requirements for PBM or specialty pharmacy services. Moreover, any standards established by these organizations could also impact our health plan clients and/or the services we provide to them.

Pharmacy and Professional Licensure and Regulation - We are subject to state and federal statutes and regulations governing the operation of retail and mail pharmacies, the transfer of prescriptions, repackaging of drug products, wholesale distribution, dispensing of controlled substance and listed chemical products, and medical and controlled

substance waste disposal. Federal and state statutes and regulations govern the labeling, packaging, advertising and adulteration of prescription drugs and the dispensing of controlled substances, and some state regulations require compliance with standards established by the United States Pharmacopeia with respect to the packaging, storing and shipping of pharmaceuticals. Federal and state controlled substance laws require us to register our pharmacies and distribution centers with the DEA and state controlled substances agencies and to comply with security, recordkeeping, inventory control, personnel and labeling standards in order to

possess and dispense controlled substances and listed chemical products. We undergo audits by these regulatory bodies on a regular basis.

Plan Design Legislation - Some states have enacted legislation that prohibits a health plan sponsor from implementing certain restrictive design features, and many states have introduced legislation to regulate various aspects of managed care plans, including provisions relating to pharmacy benefits. Legislation imposing plan design mandates may apply to certain of our clients and could have the effect of limiting the economic benefits achievable through PBM services we provide.

Privacy and Confidentiality Requirements - Many of our activities involve the receipt, use and disclosure by us of personally identifiable information ("PII") as permitted in accordance with applicable federal and state privacy and data security laws, which require organizations to provide appropriate privacy protections and security safeguards for such information. In addition to PII, we use and disclose de-identified data for analytical and other purposes.

The federal Health Insurance Portability and Accountability Act of 1996 and the regulations issued thereunder (collectively "HIPAA") impose extensive requirements on the way in which health plans, health care providers, health care clearinghouses (known as "covered entities") and their business associates use, disclose and safeguard protected health information ("PHI"). HIPAA also gives individuals certain rights with respect to their PHI. For most uses and disclosures of PHI other than for treatment, payment, health care operations or certain public policy purposes, HIPAA generally requires that covered entities obtain the individual's written authorization. Criminal penalties and civil sanctions may be imposed for failing to comply with HIPAA standards. In January 2013, HHS issued a rule implementing the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the American Recovery and Reinvestment Act of 2009. Among other things, the rule expands the circumstances under which authorizations are required to send communications to individuals that are funded by third parties and extends HIPAA privacy and security requirements and penalties directly to business associates of covered entities.

In addition to HIPAA, most states have enacted health care information confidentiality laws which limit the disclosure of confidential medical information. These state laws supersede HIPAA to the extent they are more protective of individual privacy than is HIPAA.

HHS has also issued regulations requiring federal and state exchanges to impose privacy and security standards on non-Exchange entities to protect PII obtained through the exchanges beginning in 2014. In proposed regulations, HHS has defined the term "non-exchange entities" to include insurers offering plans through the exchanges and would require that these entities in turn impose the same or more stringent privacy and security standards on their "downstream entities". If this rule is finalized as proposed, unless HIPAA-covered entities are able to negotiate with an exchange to accept compliance with HIPAA privacy and security standards as a substitute for complying with the exchange privacy and security standards, insurers offering plans through the exchanges and their business associates could potentially be subject to additional privacy and security standards in addition to HIPAA and existing more stringent state laws.

Reimbursement - A significant portion of our net revenue is derived directly from Medicare, Medicaid and other government-sponsored health care programs, and we are therefore subject to, among other laws and regulations, federal and state reimbursement laws and regulatory requirements, anti-remuneration laws, the Stark Law and/or federal and state false claims laws. (See the "Self-Referral Laws" section below for explanation of the Stark Law.) Sanctions for violating these federal and/or state laws may include, without limitation, recoupment or reduction of government reimbursement amounts, criminal and civil penalties and exclusion from participation in Medicare, Medicaid and other government health care programs. See Item 3, "Legal Proceedings," for further information.

Changes in reporting of Average Wholesale Price ("AWP"), Average Manufacturer Price ("AMP"), or Average Sales Price, which are pricing elements common to most payment formulas, or other adjustments that may be made regarding the reimbursement of drug payments by Medicaid and Medicare could impact our pricing to customers and other payors and/or could impact our ability to negotiate discounts or rebates with manufacturers, wholesalers, PBMs or retail and mail pharmacies. In some circumstances, such changes could also impact the reimbursement that we receive from Medicare or Medicaid programs for drugs covered by such programs and from MCOs that contract with government health programs to provide prescription drug benefits.

Reimportation - The MMA amended the Food, Drug and Cosmetic Act by providing that the FDA should promulgate rules that would permit pharmacists and wholesalers to import prescription drugs from Canada into the United States under certain circumstances. However, the promulgation of such rules is subject to a precondition that the FDA certify to Congress that such reimportation would not pose any additional risk to the public's health and safety and that it would result in a significant cost reduction. To date, the FDA has not provided such a certification. The FDA continues to strongly oppose efforts

to allow the widespread importation of drugs from Canada and elsewhere, citing concerns that such activities undermine the FDA's ability to oversee the quality and safety of the nation's drug supply. If the FDA changes its position and permits the broader importation of drugs from Canada in the future, or if new or pending health legislation or regulations permit the importation of drugs from the European Union or other countries in the future, our pharmacy services could be impacted.

Retail Clinics - States regulate retail clinics operated by nurse practitioners or physician assistants through physician oversight, lab licensing and the prohibition of the corporate practice of medicine. A number of states have implemented or proposed laws or regulations that impact certain components of retail clinic operations such as physician oversight, signage, third party contracting requirements, bathroom facilities, and scope of services. These laws and regulations may affect the operation and expansion of our owned and managed retail clinics.

Safety Regulations - The Occupational Safety and Health Act of 1970, as amended ("OSHA"), establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated under OSHA, and various record keeping, reporting and procedural requirements. Many of these OSHA standards, as well as various state and local laws and regulations pertaining to employee safety and health, including some that apply specifically to healthcare employees, apply to our operations. Any failure to comply with these regulations could result in fines or other sanctions by government authorities.

Self-Referral Laws - The federal law commonly known as the "Stark Law" prohibits a physician from referring Medicare or Medicaid beneficiaries for "designated health services" (which include, among other things, outpatient prescription drugs, home health services and durable medical equipment and supplies) to an entity with which the physician or an immediate family member of the physician has a "financial relationship" and prohibits the entity receiving a prohibited referral from presenting a claim to Medicare or Medicaid for the designated health service furnished under the prohibited referral. State statutes and regulations also prohibit payments for the referral of individuals by physicians to health care providers with whom the physicians have a financial relationship. Some of these state statutes and regulations apply to services reimbursed by governmental as well as private payors.

Violation of these laws may result in prohibition of payment for services rendered, loss of pharmacy or health care provider licenses, fines and criminal penalties. The laws and exceptions or safe harbors may vary from the federal Stark Law and vary significantly from state to state. The laws are often vague, and, in many cases, have not been interpreted by courts or regulatory agencies.

State Insurance Laws - PDPs and our PBM service contracts, including those in which we assume certain risk under performance guarantees or similar arrangements, are generally not subject to insurance regulation by the states. However, if a PBM offers to provide prescription drug coverage on a capitated basis or otherwise accepts material financial risk in providing pharmacy benefits, laws and regulations in various states may be applicable. Such laws may require that the party at risk become licensed as an insurer, establish reserves or otherwise demonstrate financial viability. Laws that may apply in such cases include insurance laws and laws governing MCOs and limited prepaid health service plans. The Company offers a PDP through SilverScript, which is subject to state insurance laws regarding licensure and solvency.

Some states have laws that prohibit submitting a false claim or making a false record or statement in order to secure reimbursement from an insurance company. These state laws vary, and violation of them may lead to the imposition of civil or criminal penalties. Additionally, several states have passed legislation governing the prompt payment of claims that requires, among other things, that health plans and payors pay claims within certain prescribed time periods or pay specified interest penalties. These laws vary from state to state in regard to scope, requirements and application, and it is not clear the extent to which they may apply to our clients or to us. Certain health plans and payors may be exempt from such laws on the basis of ERISA preemption, but the scope of ERISA preemption is unclear.

Telemarketing and Other Outbound Contacts - Certain federal and state laws, such as the Telephone Consumer Protection Act ("TCPA"), give the FTC, Federal Communications Commission ("FCC") and state attorneys general law enforcement tools to regulate telemarketing practices and certain automated outbound contacts such as phone calls, texts or emails. These laws may, among other things, impose registration requirements, require disclosures of specific information, prohibit misrepresentations, limit when, where and how consumers may be contacted, require consumer consent prior to being contacted, require transmission of Caller ID information, prohibit certain abandoned outbound calls,

prohibit unauthorized billing, set payment restrictions for the sale of certain goods and services, require the establishment of certain policies and training of personnel and require the retention of specific business records. In October 2013, new FCC rules went into effect aimed at better aligning the FCC's regulatory response under the TCPA with the FTC's response, as well as requiring written prior consent for calls using an automatic telephone dialing system (call to a mobile number) or an artificial or prerecorded

voice (call to a residential or mobile number). The Company's use of telemarketing and other outbound contacts could be impacted by these laws and regulations.

Third Party Administration and Other State Licensure Laws - Many states have licensure or registration laws governing certain types of administrative organizations, such as preferred provider organizations, third party administrators and companies that provide utilization review services. Several states also have licensure or registration laws governing the organizations that provide or administer consumer card programs (also known as cash card or discount card programs). The scope of these laws differs significantly from state to state, and the application of such laws to our activities often is unclear.

Whistleblower Statutes - Certain federal and state laws, including the FCA, contain provisions permitting the filing of *qui tam* or "whistleblower" lawsuits alleging violations of such laws. Whistleblower provisions allow private individuals to bring lawsuits on behalf of the federal or state government alleging that the defendant has defrauded the government, and there is generally no minimum evidentiary or legal threshold required for bringing such a lawsuit. These lawsuits are typically filed under seal with the applicable federal or state enforcement authority, and such authority is required to review the allegations made and to determine whether it will intervene in the lawsuit and take the lead in the litigation. Because a *qui tam* lawsuit typically is filed under seal pending a government review of the allegations, the defendant generally may not be aware of the lawsuit until the government determines whether or not it will intervene or until the lawsuit is otherwise unsealed, a process which may take years. See Item 3, "Legal Proceedings," for further information.

Although we believe that we are in material compliance with existing laws and regulations applicable to our various business lines, we cannot give any assurances that our business, financial condition and results of operations will not be materially adversely affected, or that we will not be required to materially change our business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations, including the laws and regulations described in this Government Regulation section, as they may relate to our business, the pharmacy services, retail pharmacy or retail clinic industry or to the health care industry generally; (iii) pending or future federal or state governmental investigations of our business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against us; (v) adverse developments in any pending *qui tam* lawsuit against us, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against us; or (vi) adverse developments in other pending or future legal proceedings against us or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

Available Information

CVS Caremark Corporation is a Delaware corporation. Our corporate office is located at One CVS Drive, Woonsocket, Rhode Island 02895, telephone (401) 765-1500. Our common stock is listed on the New York Stock Exchange under the trading symbol "CVS." General information about CVS Caremark is available through the Company's Web site at <http://info.cvscaremark.com>. Our financial press releases and filings with the U.S. Securities and Exchange Commission ("SEC") are available free of charge within the Investors section of our Web site at <http://www.cvscaremark.com/investors>. In addition, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that Web site is <http://www.sec.gov>.

Item 1A. Risk Factors

Our business is subject to various industry, economic, regulatory and other risks and uncertainties. Our business, financial condition, results of operations, cash flows and prospects could be materially adversely affected by any one or more of the following risk factors and by additional risks and uncertainties not presently known to us or that we currently deem to be immaterial:

The health of the economy in general and in the markets we serve.

Our business is affected by the economy in general, including changes in consumer purchasing power, preferences and/or spending patterns. Although an economic recovery might be underway, it is possible that a worsening of the economic

environment will cause a decline in drug utilization, and dampen demand for pharmacy benefit management services as well as consumer demand for products sold in our retail stores. Further, interest rate fluctuations, changes in capital market conditions and regulatory changes may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale-leaseback transactions under acceptable terms. These circumstances could result in an adverse effect on our business and financial results.

Efforts to reduce reimbursement levels and alter health care financing practices.

The continued efforts of health maintenance organizations, managed care organizations, PBM companies, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact our profitability. In particular, increased utilization of generic pharmaceuticals (which normally yield a higher gross profit rate than equivalent brand named drugs) has resulted in pressure to decrease reimbursement payments to retail and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate. Historically, the effect of this trend on generic profitability has been mitigated by our efforts to negotiate reduced acquisition costs of generic pharmaceuticals with manufacturers. However, in recent years, there has been significant consolidation within the generic manufacturing industry, and it is possible that this dynamic may enhance the ability of manufacturers to sustain or increase pricing of generic pharmaceuticals and diminish our ability to negotiate reduced acquisition costs.

In addition, during the past several years, the U.S. health care industry has been subject to an increase in governmental regulation at both the federal and state levels. Efforts to control health care costs, including prescription drug costs, are underway at the federal and state government levels. Changing political, economic and regulatory influences may significantly affect health care financing and reimbursement practices.

ACA made several significant changes to Medicaid rebates and to reimbursement. One of these changes was to revise the definition of AMP and the reimbursement formula for multi-source (i.e., generic) drugs. In addition, ACA made other changes that affect the coverage and plan designs that are or will be provided by many of our health plan clients, including the requirement for health insurers to meet a minimum medical loss ratio to avoid having to pay rebates to enrollees. These ACA changes may not affect our business directly, but they could indirectly impact our services and/or business practices.

The possibility of PBM client loss and/or the failure to win new PBM business.

Our PBM business generates net revenues primarily by contracting with clients to provide prescription drugs and related health care services to plan members. PBM client contracts often have terms of approximately three years in duration, so approximately one third of a PBM's client base typically is subject to renewal each year. In some cases, however, PBM clients may negotiate a shorter or longer contract term or may require early or periodic renegotiation of pricing prior to expiration of a contract. In addition, the reputational impact of a service-related incident could negatively affect our ability to grow and retain our client base. Further, the PBM industry has been impacted by consolidation activity that may continue in the future. In the event one or more of our PBM clients is acquired by an entity that is not also our client, we may be unable to retain all or a portion of the acquired business. These circumstances, either individually or in the aggregate, could result in an adverse effect on our business and financial results. Therefore, we continually face challenges in competing for new PBM business and retaining or renewing our existing PBM business. There can be no assurance that we will be able to win new business or secure renewal business on terms as favorable to us as the present terms.

Risks related to the frequency and rate of the introduction of generic drugs and brand name prescription products.

The profitability of our business is dependent upon the utilization of prescription drug products. Utilization trends are affected by, among other factors, the introduction of new and successful prescription pharmaceuticals as well as lower-priced generic alternatives to existing brand name products. Accordingly, our business could be impacted by a slowdown in the introduction of new and successful prescription pharmaceuticals and/or generic alternatives (the sale of which normally yield higher gross profit margins than brand name equivalents).

Risks relating to the market availability, suppliers and safety profiles of prescription drugs that we purchase and sell.

We dispense significant volumes of brand-name and generic drugs from our retail and mail-order pharmacies and through our PBM's network of retail pharmacies. When increased safety risk profiles or manufacturing or other supply issues of specific drugs or classes of drugs occur, or drugs become subject to greater restrictions as controlled substances, physicians may cease writing prescriptions for these drugs or the utilization of these drugs may be otherwise reduced. Additionally, adverse publicity regarding drugs with higher safety risk profiles may result in reduced consumer demand for such drugs. On occasion, products are withdrawn by their manufacturers or transition to over-the-counter products, which can result in lower prescription utilization. In addition, future FDA rulings could restrict the supply or

increase the cost of products sold to our customers. Our volumes, net revenues, profitability and cash flows may decline as a result of such regulatory rulings or market changes.

Risks of declining gross margins in the PBM industry.

The PBM industry has been experiencing margin pressure as a result of competitive pressures and increased client demands for lower prices, enhanced service offerings and/or higher service levels. In that regard, we maintain contractual relationships with generic pharmaceutical manufacturers and brand name pharmaceutical manufacturers that provide for purchase discounts and/or rebates on drugs dispensed by pharmacies in our retail network and by our mail order pharmacies (all or a portion of which may be passed on to clients). Manufacturer rebates often depend on a PBM's ability to meet contractual market share or other requirements, including in some cases the placement of a manufacturer's products on the PBM's formularies. If we lose our relationship with one or more pharmaceutical manufacturers, or if the discounts or rebates provided by pharmaceutical manufacturers decline, our business and financial results could be adversely affected. Further, competitive pressures in the PBM industry have caused our PBM and other PBMs to share with clients a larger portion of rebates and/or discounts received from pharmaceutical manufacturers. In addition, market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread", which could negatively impact our future profitability. Further, changes in existing federal or state laws or regulations or the adoption of new laws or regulations relating to patent term extensions, purchase discount and rebate arrangements with pharmaceutical manufacturers, or to formulary management or other PBM services could also reduce the discounts or rebates we receive. Our Retail Pharmacy Segment has also been impacted by the margin pressures described above.

Regulatory and business changes relating to our participation in Medicare Part D.

Since its inception in 2006, Medicare Part D has resulted in increased utilization and decreased pharmacy gross margin rates as higher margin business, such as cash and state Medicaid customers, migrated to Medicare Part D coverage. Further, as a result of ACA and changes to Medicare Part D, such as the elimination in 2013 of the tax deductibility of the retiree drug subsidy payment received by sponsors of retiree drug plans, our PBM clients could decide to discontinue providing prescription drug benefits to their Medicare-eligible members. To the extent this occurs, the adverse effects of increasing customer migration into Medicare Part D may outweigh the benefits we realize from growth of our Medicare Part D business. In addition, if the cost and complexity of Medicare Part D exceed management's expectations or prevent effective program implementation or administration; if changes to the regulations regarding how drug costs are reported for Medicare Part D and retiree drug subsidy purposes are implemented in a manner that impacts the profitability of our Medicare Part D business; if the government alters Medicare program requirements or reduces funding because of the higher-than-anticipated cost to taxpayers of Medicare Part D or for other reasons; if we fail to design and maintain programs that are attractive to Medicare participants; if CMS imposes restrictions on our Medicare Part D business as a result of audits or other regulatory actions; if we fail to successfully implement corrective action or other remedial measures sufficient to prevent or remove any applicable restrictions that may be imposed by CMS; if we fail to effectively integrate and operate the Medicare Part D businesses we have acquired; or if we are not successful in retaining enrollees, or winning contract renewals or new contracts under Medicare Part D's competitive bidding process, our Medicare Part D services and the ability to expand our Medicare Part D services could be impacted.

Possible changes in industry pricing benchmarks.

It is possible that the pharmaceutical industry or regulators may evaluate and/or develop an alternative pricing reference to replace AWP, which is the pricing reference used for many of our PBM client contracts, pharmaceutical purchase agreements, retail network contracts, specialty payor agreements and other contracts with third party payors. Future changes to the use of AWP or to other published pricing benchmarks used to establish pharmaceutical pricing, including changes in the basis for calculating reimbursement by federal and state health programs and/or other payors, could impact the reimbursement we receive from Medicare and Medicaid programs, the reimbursement we receive from PBM clients and other payors and/or our ability to negotiate rebates and/or discounts with pharmaceutical manufacturers, wholesalers, PBMs and retail pharmacies. The effect of these possible changes on our business cannot be predicted at this time.

An extremely competitive business environment.

Each of the retail pharmacy business and the pharmacy services business currently operates in a highly competitive and evolving health care environment. Our competitive success is impacted by the ability of our retail pharmacy business to establish and maintain contractual relationships with PBMs and other payors on acceptable terms and by the ability of our

pharmacy services business to establish and maintain contractual relationships with network pharmacies in an environment where some PBM clients are considering adopting narrow or restricted retail pharmacy networks.

As a pharmacy retailer, we compete with other drugstore chains, supermarkets, discount retailers, independent pharmacies, membership clubs, Internet companies and retail health clinics, as well as other mail order pharmacies and PBMs. In that regard, many pharmacy benefit plans have implemented plan designs that mandate or provide incentives to fill maintenance

medications through mail order pharmacies. To the extent this trend continues, any negative impact in our retail pharmacy could out-weigh an increase in our own mail order business and/or an increase in participation in our Maintenance Choice program. In addition, some of these competitors may offer services and pricing terms that we may not be willing or able to offer. Competition may also come from other sources in the future.

Competitors in the PBM industry (e.g., Express Scripts, OptumRx, Catamaran and Prime Therapeutics), include large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs. Some of these competitors may offer services and pricing terms that we may not be willing or able to offer. In addition, competition may also come from other sources in the future. Unless we can demonstrate enhanced value to our clients through innovative product and service offerings, particularly in a rapidly changing industry, we may be unable to remain competitive. In addition, changes in the overall composition of our pharmacy networks, or reduced pharmacy access under our networks, could adversely affect our claims volume and/or our competitiveness generally.

Relationship with our retail customers and the demand for our products and services

The success of our retail business depends in part on customer loyalty, superior customer service and our ability to persuade customers to purchase products in additional categories and our proprietary brands. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, an inability to expand the products being purchased by our customers, or the failure or inability to obtain or offer particular categories of products could negatively affect our relationship with our customers and the demand for our products and services.

Reform of the U.S. health care system.

Congressional efforts to reform the U.S. health care system finally came to fruition in 2010 with the passage of ACA, which is resulting in significant structural changes to the health insurance system. See "Business - Government Regulation".

Many of the structural changes enacted by ACA are being implemented in 2014, and some of the applicable regulations and sub-regulatory guidance have not yet been issued and/or finalized. Therefore, there remains considerable uncertainty as to the full impact of ACA on our business. While these reforms may not affect our business directly, they affect the coverage and plan designs that are or will be provided by many of our health plan clients. As a result, they could indirectly impact many of our services and business practices. We cannot predict what effect, if any, the ACA changes may have on our retail pharmacy and pharmacy services businesses, and it is possible that other legislative or market-driven changes in the health care system that we cannot anticipate could also occur.

The failure or disruption of our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.

Many aspects of our operations are dependent on our information systems and the information collected, processed, stored, and handled by these systems. Throughout our operations, we receive, retain and transmit certain confidential information, including personally identifiable information that our customers and clients provide to purchase products or services, enroll in programs or services, register on our websites, interact with our personnel, or otherwise communicate with us. In addition, for these operations, we depend in part on the secure transmission of confidential information over public networks. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches including credit card information breaches, vandalism, catastrophic events and human error. Although we deploy a layered approach to address information security threats and vulnerabilities, including ones from a cybersecurity standpoint, designed to protect confidential information against data security breaches, a compromise of our information security controls or of those businesses with whom we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers and clients, financial institutions, payment card associations and other persons, any of which could adversely affect our business, financial position, and results of operations. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. If our information systems are damaged, fail to work properly or otherwise become unavailable, or if we are unable to successfully complete our planned consolidation of our PBM claims adjudication

platforms, we may incur substantial costs to repair or replace them, and may experience loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes.

Risks related to compliance with a broad and complex regulatory framework.

Our business is subject to numerous federal, state and local laws and regulations. See “Business — Government Regulation.” Changes in these regulations may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; suspension or disgorgement of payments from government programs; loss of required government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; or loss of registrations or licensure. The regulations to which we are subject include, but are not limited to: the laws and regulations described in the Government Regulation section; accounting standards; securities laws and regulations; tax laws and regulations; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous materials and wastes; and regulations of the FDA, the FTC, the FCC, the DEA, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell. In addition, our business interests outside of the United States are subject to the Foreign Corrupt Practices Act and other applicable domestic and international laws and regulations. We are also subject to the terms of various government agreements and mandates, including those described in the Government Regulation section. In that regard, our business, financial position and results of operations could be affected by existing and new government legislative and regulatory action, including, without limitation, any one or more of the following:

- federal and state laws and regulations governing the purchase, distribution, tracking, management, dispensing and reimbursement of prescription drugs and related services, whether at retail or mail, and applicable registration or licensing requirements;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;
- the frequency and rate of approvals by the FDA of new brand name and generic drugs, or of over-the-counter status for brand name drugs;
- FDA regulation affecting the retail or PBM industry;
- consumer protection laws affecting our health care services, our loyalty programs, the products we sell, the informational calls we make and/or the marketing of our goods and services;
- rules and regulations issued pursuant to HIPAA and the HITECH Act; and other federal and state laws affecting the collection, use, disclosure and transmission of health or other personal information, such as federal laws on information privacy precipitated by concerns about information collection through the Internet, state security breach laws and state laws limiting the use and disclosure of prescriber information;
- administration of Medicare Part D, including legislative changes and/or CMS rulemaking and interpretation;
- government regulation of the development, administration, review and updating of formularies and drug lists;
- federal, state and local waste management laws and regulations applicable to our business, including the management of pharmaceutical wastes and photo processing solutions, as well as the storage and transportation of hazardous materials;
- state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
- impact of network access legislation or regulations, including “any willing provider” laws, on our ability to manage pharmacy networks;
- health care reform, managed care reform and plan design legislation;

- insurance licensing and other insurance regulatory requirements applicable to offering Medicare Part D programs and services or other health care services; and
- direct regulation of pharmacies or PBMs by regulatory and quasi-regulatory bodies.

Risks related to litigation and other legal proceedings.

Pharmacy services and retail pharmacy are highly regulated and litigious industries. We are currently subject to various litigation matters, investigations, audits, government inquiries, regulatory and legal proceedings. Litigation, and particularly securities and collective or class action litigation, is often expensive and disruptive. We cannot predict the outcome of such matters, and the costs incurred may be substantial regardless of outcome. Our business, financial condition and results of operations may be adversely affected, or we may be required to materially change our business practices, as a result of such proceedings. We refer you to Item 3, "Legal Proceedings" for additional information.

The foregoing is not a comprehensive listing of all possible risks and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting the business. As such, we refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section of our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference.

Item 1B. Unresolved Staff Comments

There are no unresolved SEC Staff Comments.

Item 2. Properties

We lease most of our stores under long-term leases that vary as to rental amounts, expiration dates, renewal options and other rental provisions. For additional information on the amount of our rental obligations for our leases, we refer you to Note 7 "Leases" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

As of December 31, 2013, we owned approximately 5.9% of our 7,660 retail stores. Net selling space for our retail drugstores increased to 75.0 million square feet as of December 31, 2013. More than one third of our store base was opened or significantly remodeled within the last five years.

We own ten distribution centers located in Alabama, California, Hawaii, New York, Rhode Island, South Carolina, Tennessee and Texas and lease ten additional distribution facilities located in Arizona, Florida, Indiana, Michigan, New Jersey, Pennsylvania, Texas, Virginia and Brazil. The 20 distribution centers total approximately 11.5 million square feet as of December 31, 2013.

As of December 31, 2013, we owned one mail service dispensing pharmacy located in Texas and leased three additional mail service dispensing pharmacies located in Hawaii, Illinois and Pennsylvania. We leased call centers located in Missouri, Pennsylvania, Tennessee and Texas. As of December 31, 2013, we leased 17 onsite pharmacy stores and 25 specialty pharmacy stores, and operated 11 specialty mail order pharmacies, one of which we owned.

We own our corporate offices located in Woonsocket, Rhode Island, which totals approximately 1,000,000 square feet. In addition, we lease large corporate offices in Scottsdale, Arizona, Northbrook, Illinois, Irving, Texas and Sao Paulo, Brazil.

In connection with certain business dispositions completed between 1991 and 1997, we continue to guarantee lease obligations for approximately 73 former stores. We are indemnified for these guarantee obligations by the respective purchasers. These guarantees generally remain in effect for the initial lease term and any extension thereof pursuant to a renewal option provided for in the lease prior to the time of the disposition. For additional information, we refer you to Note 12 "Commitments and Contingencies" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Management believes that its owned and leased facilities are suitable and adequate to meet the Company's anticipated needs. At the end of the existing lease terms, management believes the leases can be renewed or replaced by alternate space.

The following is a breakdown by state, District of Columbia, Puerto Rico and Brazil of our retail stores, onsite pharmacy stores, specialty pharmacy stores, specialty mail order pharmacies and mail service dispensing pharmacies as of December 31, 2013:

| | Retail Stores | Onsite Pharmacy Stores | Specialty Pharmacy Stores | Specialty Mail Order Pharmacies | Mail Service Dispensing Pharmacies | Total |
|----------------------|---------------|------------------------------|---------------------------------|---------------------------------------|--|-------|
| United States: | | | | | | |
| Alabama | 155 | — | 1 | — | — | 156 |
| Arkansas | 1 | — | — | — | — | 1 |
| Arizona | 139 | — | 1 | — | — | 140 |
| California | 856 | — | 4 | 1 | — | 861 |
| Colorado | — | — | 1 | — | — | 1 |
| Connecticut | 149 | 1 | — | — | — | 150 |
| Delaware | 12 | — | — | — | — | 12 |
| District of Columbia | 58 | — | 1 | — | — | 59 |
| Florida | 716 | — | 1 | 1 | — | 718 |
| Georgia | 316 | 2 | 1 | — | — | 319 |
| Hawaii | 53 | — | 1 | — | 1 | 55 |
| Iowa | 17 | 1 | — | — | — | 18 |
| Illinois | 274 | 1 | 1 | 1 | 1 | 278 |
| Indiana | 297 | — | — | — | — | 297 |
| Kansas | 35 | — | — | 1 | — | 36 |
| Kentucky | 65 | — | — | — | — | 65 |
| Louisiana | 109 | — | — | — | — | 109 |
| Maine | 22 | — | — | — | — | 22 |
| Maryland | 171 | 1 | — | — | — | 172 |
| Massachusetts | 355 | — | 2 | 1 | — | 358 |
| Michigan | 248 | 1 | — | 1 | — | 250 |
| Minnesota | 57 | 1 | — | — | — | 58 |
| Mississippi | 50 | — | — | — | — | 50 |
| Missouri | 77 | 1 | 1 | — | — | 79 |
| Montana | 14 | — | — | — | — | 14 |
| Nebraska | 18 | — | — | — | — | 18 |
| Nevada | 85 | — | — | — | — | 85 |
| New Hampshire | 41 | — | — | — | — | 41 |
| New Jersey | 277 | 2 | — | 1 | — | 280 |
| New Mexico | 15 | — | — | — | — | 15 |
| New York | 471 | — | 1 | — | — | 472 |
| North Carolina | 312 | — | 1 | 1 | — | 314 |
| North Dakota | 6 | — | — | — | — | 6 |
| Ohio | 317 | 2 | — | — | — | 319 |
| Oklahoma | 53 | — | — | — | — | 53 |
| Oregon | — | — | 1 | — | — | 1 |
| Pennsylvania | 404 | 1 | 1 | 1 | 1 | 408 |
| Puerto Rico | 19 | — | — | 1 | — | 20 |
| Rhode Island | 62 | — | 1 | — | — | 63 |

| | | | | | | |
|---------------------|-------|----|----|----|---|-------|
| South Carolina | 194 | — | 1 | — | — | 195 |
| Tennessee | 134 | 1 | — | 1 | — | 136 |
| Texas | 588 | 1 | 3 | — | 1 | 593 |
| Utah | 2 | — | — | — | — | 2 |
| Vermont | 5 | — | — | — | — | 5 |
| Virginia | 271 | — | — | — | — | 271 |
| Washington | — | — | 1 | — | — | 1 |
| West Virginia | 50 | — | — | — | — | 50 |
| Wisconsin | 45 | 1 | — | — | — | 46 |
| Total United States | 7,615 | 17 | 25 | 11 | 4 | 7,672 |
| Brazil | 45 | — | — | — | — | 45 |
| Total | 7,660 | 17 | 25 | 11 | 4 | 7,717 |

Item 3. Legal Proceedings

I. Legal Proceedings

1. Caremark (the term "Caremark" being used herein to generally refer to any one or more PBM subsidiaries of the Company, as applicable) was a defendant in a *qui tam* lawsuit initially filed by a relator on behalf of various state and federal government agencies in Texas federal court in 1999. The case was unsealed in May 2005. The case sought monetary damages and alleged that Caremark's processing of Medicaid and certain other government claims on behalf of its clients (which allegedly resulted in underpayments from Caremark clients to the applicable government agencies) on one of Caremark's adjudication platforms violated applicable federal or state false claims acts and fraud statutes. The United States and the States of Texas, Tennessee, Florida, Arkansas, Louisiana and California intervened in the lawsuit, but Tennessee and Florida withdrew from the lawsuit in August 2006 and May 2007, respectively. Thereafter, in 2008, the Company prevailed on several motions for partial summary judgment and, following an appellate ruling from the Fifth Circuit Court of Appeals in 2011 that affirmed in part and reversed in part these prior rulings, the claims asserted in the case against Caremark were substantially narrowed. In December 2013, this case was dismissed following a settlement between the Company and the plaintiffs.

In a related matter, in December 2007, the Company received a document subpoena from the Office of Inspector General ("OIG") within the U.S. Department of Health and Human Services ("HHS"), requesting information relating to the processing of Medicaid and other government agency claims on a different adjudication platform of Caremark. The Company has provided documents and other information in response to this request for information. The Company has been conducting discussions with the United States Department of Justice ("DOJ") and the OIG regarding a possible settlement of this legal matter.

2. Caremark was named in a putative class action lawsuit filed in October 2003 in Alabama state court by John Lauriello, purportedly on behalf of participants in the 1999 settlement of various securities class action and derivative lawsuits against Caremark and others. Other defendants include insurance companies that provided coverage to Caremark with respect to the settled lawsuits. The Lauriello lawsuit seeks approximately \$3.2 billion in compensatory damages plus other non-specified damages based on allegations that the amount of insurance coverage available for the settled lawsuits was misrepresented and suppressed. A similar lawsuit was filed in November 2003 by Frank McArthur, also in Alabama state court, naming as defendants, among others, Caremark and several insurance companies involved in the 1999 settlement. This lawsuit was stayed as a later-filed class action, but McArthur was subsequently allowed to intervene in the Lauriello action. Following the close of class discovery, the trial court entered an Order on August 15, 2012 that granted the plaintiffs' motion to certify a class pursuant to Alabama Rule of Civil Procedures 23(b)(3) but denied their request that the class also be certified pursuant to Rule 23(b)(1). In addition, the August 15, 2012 Order appointed class representatives and class counsel. The defendants' appeal and plaintiffs' cross-appeal are pending before the Alabama Supreme Court. The proceedings in the trial court are stayed by statute pending a decision on the appeal and cross-appeal by the Alabama Supreme Court.
3. Various lawsuits have been filed alleging that Caremark has violated applicable antitrust laws in establishing and maintaining retail pharmacy networks for client health plans. In August 2003, Bellevue Drug Co., Robert Schreiber, Inc. d/b/a Burns Pharmacy and Rehn-Huerbinger Drug Co. d/b/a Parkway Drugs #4, together with Pharmacy Freedom Fund and the National Community Pharmacists Association filed a putative class action against Caremark in Pennsylvania federal court, seeking treble damages and injunctive relief. This case was initially sent to arbitration based on the contract terms between the pharmacies and Caremark. In October 2003, two independent pharmacies, North Jackson Pharmacy, Inc. and C&C, Inc. d/b/a Big C Discount Drugs, Inc., filed a putative class action complaint in Alabama federal court against Caremark and two PBM competitors, seeking treble damages and injunctive relief. The North Jackson Pharmacy case against two of the Caremark entities named as defendants was transferred to Illinois federal court, and the case against a separate Caremark entity was sent to arbitration based on contract terms between the pharmacies and Caremark. The Bellevue arbitration was then stayed by the parties pending developments in the North Jackson Pharmacy court case.

In August 2006, the Bellevue case and the North Jackson Pharmacy case were both transferred to Pennsylvania federal court by the Judicial Panel on Multidistrict Litigation for coordinated and consolidated proceedings with other cases before the panel, including cases against other PBMs. Caremark appealed the decision which vacated an order

compelling arbitration and staying the proceedings in the Bellevue case and, following the appeal, the Court of Appeals reinstated the order compelling arbitration of the Bellevue case. Following remand, plaintiffs in the Bellevue case sought dismissal of their complaint to permit an immediate appeal of the reinstated order compelling arbitration and pursued an appeal to the Third Circuit Court of Appeals. In November 2012, the Third Circuit Court reversed the district court ruling and directed the parties to proceed in federal court. Motions for class certification in the coordinated cases within the multidistrict

litigation, including the North Jackson Pharmacy case, remain pending, and the court has permitted certain additional class discovery and briefing. The consolidated action is now known as the In Re Pharmacy Benefit Managers Antitrust Litigation.

4. In November 2009, a securities class action lawsuit was filed in the United States District Court for the District of Rhode Island purportedly on behalf of purchasers of CVS Caremark Corporation stock between May 5, 2009 and November 4, 2009. Plaintiffs subsequently amended the lawsuit to allege a class period beginning October 30, 2008. The lawsuit names the Company and certain officers as defendants and includes allegations of securities fraud relating to public disclosures made by the Company concerning the PBM business and allegations of insider trading. In addition, a shareholder derivative lawsuit was filed in December 2009 in the same court against the directors and certain officers of the Company. This lawsuit, which was stayed pending developments in the related securities class action, includes allegations of, among other things, securities fraud, insider trading and breach of fiduciary duties and further alleges that the Company was damaged by the purchase of stock at allegedly inflated prices under its share repurchase program. In January 2011, both lawsuits were transferred to the United States District Court for the District of New Hampshire. In June 2012, the court granted the Company's motion to dismiss the securities class action. The plaintiffs subsequently appealed the court's ruling on the motion to dismiss. In May 2013, the First Circuit Court of Appeals vacated the prior ruling and remanded the case to the district court for further proceedings. In December 2013, the district court denied the Company's renewed motion to dismiss the lawsuit. The derivative lawsuit will remain stayed until the Company answers the securities class action complaint.
5. In March 2010, the Company learned that various State Attorneys General offices and certain other government agencies were conducting a multi-state investigation of certain of the Company's business practices similar to those being investigated at that time by the U.S. Federal Trade Commission ("FTC"). Twenty-eight states, the District of Columbia and the County of Los Angeles are known to be participating in this investigation. The prior FTC investigation, which commenced in August 2009, was officially concluded in May 2012 when the consent order entered into between the FTC and the Company became final. The Company has cooperated with the multi-state investigation.
6. In March 2010, the Company received a subpoena from the OIG requesting information about programs under which the Company has offered customers remuneration conditioned upon the transfer of prescriptions for drugs or medications to the Company's pharmacies in the form of gift cards, cash, non-prescription merchandise or discounts or coupons for non-prescription merchandise. The subpoena relates to an investigation of possible false or otherwise improper claims for payment under the Medicare and Medicaid programs. The Company has provided documents and other information in response to this request for information.
7. The Company received a subpoena from the U.S. Securities and Exchange Commission ("SEC") in February 2011 and subsequently received additional subpoenas and other requests for information. The SEC's requests related to, among other things, public disclosures made by the Company during 2009, transactions in the Company's securities by certain officers and employees of the Company during 2009 and the purchase accounting for the Longs Drug Stores acquisition. The Company has provided the documents and other information requested by the SEC and has been cooperating with the SEC in this investigation. The Company has reached an agreement in principle with the staff of the Boston Regional Office of the SEC to settle certain allegations that, during the third and fourth quarters of 2009, the Company violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, including certain anti-fraud provisions of those statutes. The agreement in principle will be entered into by the Company on a "no admit or deny" basis, and the Company will not be restating its financial statements for any reporting period. The Company has agreed to pay a \$20 million civil penalty when the settlement is finalized, and this amount has been fully reserved in the Company's financial statements. The Company will continue to cooperate with the SEC to document the settlement terms, and the settlement remains subject to approval by the Commission and federal court as required.
8. In January 2012, the United States District Court for the Eastern District of Pennsylvania unsealed a first amended *qui tam* complaint filed in August 2011 by an individual relator, who is described in the complaint as having once been employed by a firm providing pharmacy prescription benefit audit and recovery services. The complaint seeks monetary damages and alleges that Caremark's processing of Medicare claims on behalf of one of its clients violated the federal false claims act. The United States, acting through the U.S. Attorney's Office in Philadelphia,

Pennsylvania, declined to intervene in the lawsuit. Caremark filed a motion to dismiss the amended complaint and the DOJ filed a Statement of Interest with regard to Caremark's motion to dismiss. In December 2012, the court denied Caremark's motion to dismiss the amended complaint.

9. In January 2012, the Company received a subpoena from the OIG requesting information about its Health Savings Pass program, a prescription drug discount program for uninsured or underinsured individuals, in connection with an

investigation of possible false or otherwise improper claims for payment involving HHS programs. In February 2012, the Company also received a civil investigative demand from the Office of the Attorney General of the State of Texas requesting a copy of information produced under this OIG subpoena and other information related to prescription drug claims submitted by the Company's pharmacies to Texas Medicaid for reimbursement. The Company is providing documents and other information in response to these requests for information.

10. A purported shareholder derivative action was filed on behalf of nominal defendant CVS Caremark Corporation against certain of the Company's officers and members of its Board of Directors. The action, which alleged a single claim for breach of fiduciary duty relating to the Company's alleged failure to properly implement internal regulatory controls to comply with the Controlled Substances Act and the Combat Methamphetamine Epidemic Act, was originally filed in June 2012. In addition, an amended complaint was filed in November 2012 and a Supplemental Complaint was filed in April 2013. In October 2013, the court granted the Company's motion to dismiss and entered judgment dismissing the action, without prejudice. Following dismissal of the action, the same purported shareholder sent a letter to the Company's Board of Directors demanding that the Board investigate her allegations and pursue legal action against certain directors and officers of the Company. A committee of the Board of Directors is conducting a review and intends to respond to the letter as appropriate.
11. In November 2012, the Company received a subpoena from the OIG requesting information concerning automatic refill programs used by pharmacies to refill prescriptions for customers. The Company has been cooperating and providing documents and other information in response to this request for information.

The Company is also a party to other legal proceedings, inquiries and audits arising in the normal course of its business, none of which is expected to be material to the Company. We can give no assurance, however, that our business, financial condition and results of operations will not be materially adversely affected, or that we will not be required to materially change our business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations, including the laws and regulations described in "Business — Government Regulation", as they may relate to our business, the pharmacy services, retail pharmacy or retail clinic industry or to the health care industry generally; (iii) pending or future federal or state governmental investigations of our business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against us; (v) adverse developments in any pending *qui tam* lawsuit against us, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against us; or (vi) adverse developments in other pending or future legal proceedings against us or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

II. Environmental Matters

Item 103 of SEC Regulation S-K requires disclosure of certain environmental legal proceedings if management reasonably believes that the proceedings involve potential monetary sanctions of \$100,000 or more. On January 8, 2014, a Settlement Agreement was signed with the State of New Jersey to resolve claims of alleged noncompliance with hazardous and medical waste regulations in connection with certain of the Company's facilities in New Jersey. As part of this settlement, the Company has agreed to pay \$132,000 in civil penalties to resolve these claims.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant*Executive Officers of the Registrant*

The following sets forth the name, age and biographical information for each of our executive officers as of February 11, 2014. In each case the officer's term of office extends to the date of the board of directors meeting following the next annual meeting of stockholders of the Company. Previous positions and responsibilities held by each of the executive officers over the past five years are indicated below:

Lisa G. Bisaccia, age 57, Senior Vice President and Chief Human Resources Officer of CVS Caremark Corporation since January 2010; Vice President, Human Resources of CVS Pharmacy, Inc. from September 2004 through December 2009.

Eva C. Boratto, age 47, Senior Vice President and Controller and Chief Accounting Officer of CVS Caremark Corporation since July 2013; Senior Vice President of PBM Finance from July 2010 through June 2013; Vice President, U.S. Market Finance Leader of Merck & Co., Inc. ("Merck") from June 2009 through June 2010; Vice President of Investor Relations of Merck from April 2008 through May 2009.

Troyen A. Brennan, M.D., age 59, Executive Vice President and Chief Medical Officer of CVS Caremark Corporation since November 2008; Executive Vice President and Chief Medical Officer of Aetna, Inc. from February 2006 through November 2008.

David M. Denton, age 48, Executive Vice President and Chief Financial Officer of CVS Caremark Corporation since January 2010; Senior Vice President and Controller/Chief Accounting Officer of CVS Caremark Corporation from March 2008 until December 2009; Senior Vice President, Financial Administration of CVS Caremark Corporation and CVS Pharmacy, Inc. from April 2007 to March 2008.

Helena B. Foulkes, age 49, Executive Vice President of CVS Caremark Corporation and President of CVS/pharmacy since January 2014; Executive Vice President and Chief Health Care Strategy and Marketing Officer of CVS Caremark Corporation from March 2011 through December 2013; Executive Vice President and Chief Marketing Officer of CVS Caremark Corporation from January 2009 through February 2011; Senior Vice President of Health Services of CVS Caremark Corporation from May 2008 through January 2009, and of CVS Pharmacy, Inc. from October 2007 through January 2009.

Stephen J. Gold, age 54, Senior Vice President and Chief Information Officer for CVS Caremark Corporation since July 2012; Senior Vice President and Chief Information Officer of Avaya, Inc. from May 2010 through June 2012; Executive Vice President, Chief Information Officer and Chief Technology Officer of GSI Commerce, Inc. from February 2005 through April 2010.

J. David Joyner, age 49, Executive Vice President of CVS Caremark Corporation since March 2011 and Executive Vice President of Sales and Account Services, CVS Caremark Pharmacy Services since March 2004.

Per G.H. Lofberg, age 66, Executive Vice President of CVS Caremark Corporation; Executive Vice President of CVS Caremark Corporation and President of CVS Caremark Pharmacy Services from January 2010 through August 2012; President and Chief Executive Officer of Generation Health, Inc., a pharmacogenomics company, from November 2008 through December 2009.

Larry J. Merlo, age 58, President and Chief Executive Officer of CVS Caremark Corporation since March 2011; President and Chief Operating Officer of CVS Caremark Corporation from May 2010 through March 2011; President of CVS/pharmacy from January 2007 through August 2011; Executive Vice President of CVS Caremark Corporation from January 2007 through May 2010; also a director of CVS Caremark Corporation since May 2010.

Thomas M. Moriarty, age 50, Executive Vice President and General Counsel of CVS Caremark Corporation since October 2012; General Counsel of Celgene Corporation, a global biopharmaceutical company, from May 2012 through September 2012; General Counsel and Corporate Secretary of Medco Health Solutions, Inc. ("Medco"), a pharmacy

benefit management company, from March 2008 through April 2012; also President of Global Pharmaceutical Strategies of Medco from March 2011 through April 2012; Senior Vice President, Pharmaceutical Strategies and Solutions of Medco from September 2007 through March 2011.

Jonathan C. Roberts, age 58, Executive Vice President of CVS Caremark Corporation and President of CVS Caremark Pharmacy Services since September 2012; Executive Vice President of CVS Caremark Corporation and Chief Operating

Officer of CVS Caremark Pharmacy Services from October 2010 through August 2011; Executive Vice President, Rx Purchasing, Pricing and Network Relations of CVS Caremark Corporation from January 2009 through October 2010; Senior Vice President and Chief Information Officer of CVS Caremark Corporation from May 2008 until January 2009, and of CVS Pharmacy, Inc. from January 2006 until January 2009.

Andrew J. Sussman, M.D., age 48, Senior Vice President and Associate Chief Medical Officer of CVS Caremark Corporation since March 2011 and President of MinuteClinic, L.L.C., the Company's retail-based health clinic subsidiary, since September 2009; Executive Vice President and Chief Operating Officer of the University of Massachusetts Memorial Medical Center, the major teaching affiliate of UMass Medical School, from May 2004 through August 2009.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol "CVS." The table below sets forth the high and low sale prices of our common stock on the New York Stock Exchange Composite Tape and the quarterly cash dividends declared per share of common stock during the periods indicated.

| | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|------|---------------------------------|---------------|----------------|---------------|----------------|------------|
| 2013 | High | \$ 56.07 | \$ 60.70 | \$ 62.36 | \$ 71.99 | \$ 71.99 |
| | Low | \$ 49.00 | \$ 53.94 | \$ 56.68 | \$ 56.32 | \$ 49.00 |
| | Cash dividends per common share | \$ 0.22500 | \$ 0.22500 | \$ 0.22500 | \$ 0.22500 | \$ 0.90000 |
| 2012 | High | \$ 45.88 | \$ 46.93 | \$ 48.69 | \$ 49.80 | \$ 49.80 |
| | Low | \$ 41.01 | \$ 43.08 | \$ 43.65 | \$ 44.33 | \$ 41.01 |
| | Cash dividends per common share | \$ 0.16250 | \$ 0.16250 | \$ 0.16250 | \$ 0.16250 | \$ 0.65000 |

CVS Caremark has paid cash dividends every quarter since becoming a public company. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Company's Board of Directors. As of February 4, 2014, there were 22,602 registered shareholders according to the records maintained by our transfer agent.

On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program", and together with the 2013 Repurchase Program, "the Repurchase Programs") The Repurchase Programs, which were effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The Repurchase Programs may be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2012 Repurchase Program, effective October 1, 2013, we entered into a \$1.7 billion fixed dollar accelerated share repurchase ("ASR") agreement with Barclays Bank PLC ("Barclays"). Upon payment of the \$1.7 billion purchase price on October 1, 2013, we received a number of shares of our common stock equal to 50% of the \$1.7 billion notional amount of the ASR agreement or approximately 14.9 million shares at a price of \$56.88 per share. The Company received approximately 11.7 million shares of common stock on December 30, 2013 at an average price of \$63.83 per share, representing the remaining 50% of the \$1.7 billion notional amount of the ASR agreement and thereby concluding the agreement. The total of 26.6 million shares of common stock delivered to the Company by Barclays over the term of the October 2013 ASR agreement were placed into treasury stock.

During the year ended December 31, 2013, the Company repurchased an aggregate of 66.2 million shares of common stock for approximately \$4.0 billion under the 2012 Repurchase Program. As of December 31, 2013, there remained an aggregate of approximately \$6.7 billion available for future repurchases under the Repurchase Programs.

| Fiscal Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|----------------------------------|------------------------------|--|--|
| October 1, 2013 through October 31, 2013 | 14,866,352 | \$ 56.88 | 14,866,352 | \$ 692,873,727 |

| | | | | | |
|--|-------------------|----|-------|-------------------|------------------|
| November 1, 2013 through November 30, 2013 | — | \$ | — | \$ | 692,873,727 |
| December 1, 2013 through December 31, 2013 | <u>11,768,973</u> | \$ | 63.83 | <u>11,768,973</u> | \$ 6,692,873,727 |
| | 26,635,325 | | | 26,635,325 | |

Item 6. Selected Financial Data

The selected consolidated financial data of CVS Caremark Corporation as of and for the periods indicated in the five-year period ended December 31, 2013 have been derived from the consolidated financial statements of CVS Caremark Corporation. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and the audit reports of Ernst & Young LLP, which are incorporated elsewhere herein.

| In millions, except per share amounts | 2013 | 2012 ^(a) | 2011 | 2010 | 2009 |
|---|------------|---------------------|------------|-----------|-----------|
| Statement of operations data: | | | | | |
| Net revenues | \$ 126,761 | \$ 123,120 | \$ 107,080 | \$ 95,766 | \$ 98,144 |
| Gross profit | 23,783 | 22,488 | 20,562 | 20,215 | 20,348 |
| Operating expenses | 15,746 | 15,278 | 14,231 | 14,082 | 13,933 |
| Operating profit | 8,037 | 7,210 | 6,331 | 6,133 | 6,415 |
| Interest expense, net | 509 | 557 | 584 | 536 | 525 |
| Loss on early extinguishment of debt | — | 348 | — | — | — |
| Income tax provision ⁽¹⁾ | 2,928 | 2,436 | 2,258 | 2,178 | 2,196 |
| Income from continuing operations | 4,600 | 3,869 | 3,489 | 3,419 | 3,694 |
| Income (loss) from discontinued operations, net of tax ⁽²⁾ | (8) | (7) | (31) | 2 | (4) |
| Net income | 4,592 | 3,862 | 3,458 | 3,421 | 3,690 |
| Net loss attributable to noncontrolling interest ⁽³⁾ | — | 2 | 4 | 3 | — |
| Net income attributable to CVS Caremark | \$ 4,592 | \$ 3,864 | \$ 3,462 | \$ 3,424 | \$ 3,690 |
| Per common share data: | | | | | |
| Basic earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.78 | \$ 3.05 | \$ 2.61 | \$ 2.50 | \$ 2.58 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |
| Net income attributable to CVS Caremark | \$ 3.77 | \$ 3.04 | \$ 2.59 | \$ 2.50 | \$ 2.57 |
| Diluted earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.75 | \$ 3.02 | \$ 2.59 | \$ 2.49 | \$ 2.55 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |
| Net income attributable to CVS Caremark | \$ 3.74 | \$ 3.02 | \$ 2.57 | \$ 2.49 | \$ 2.55 |
| Cash dividends per common share | \$ 0.900 | \$ 0.650 | \$ 0.500 | \$ 0.350 | \$ 0.305 |
| Balance sheet and other data: | | | | | |
| Total assets | \$ 71,526 | \$ 66,221 | \$ 64,852 | \$ 62,457 | \$ 61,918 |
| Long-term debt | \$ 12,841 | \$ 9,133 | \$ 9,208 | \$ 8,652 | \$ 8,756 |
| Total shareholders' equity | \$ 37,938 | \$ 37,653 | \$ 38,013 | \$ 37,661 | \$ 35,732 |
| Number of stores (at end of year) | 7,702 | 7,508 | 7,388 | 7,248 | 7,095 |

See Note 1 - Significant Accounting Policies (Revenue Recognition - Retail Pharmacy Segment) to the consolidated financial statements.

- (1) Income tax provision includes the effect of the following: (i) in 2010, the recognition of \$47 million of previously unrecognized tax benefits, including interest, relating to the expiration of various statutes of limitation and settlements with tax authorities, and (ii) in 2009, the recognition of \$167 million of previously unrecognized tax benefits, including interest, relating to the expiration of various statutes of limitation and settlements with tax authorities.
- (2) As discussed in Note 3 to the consolidated financial statements, the results of the TheraCom business are presented as discontinued operations and have been excluded from continuing operations for all periods presented.

In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Linens 'n Things which filed for bankruptcy in 2008. The Company's income (loss) from discontinued operations includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its Linens 'n Things lease guarantees.

Below is a summary of the results of discontinued operations:

| <u>In millions</u> | Year Ended December 31, | | | | |
|--|-------------------------|---------------|----------------|-------------|---------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Income from operations of TheraCom | \$ — | \$ — | \$ 18 | \$ 28 | \$ 13 |
| Gain on disposal of TheraCom | — | — | 53 | — | — |
| Loss on disposal of Linens 'n Things | (12) | (12) | (7) | (24) | (19) |
| Income tax benefit (provision) | 4 | 5 | (95) | (2) | 2 |
| Income (loss) from discontinued operations, net of tax | <u>\$ (8)</u> | <u>\$ (7)</u> | <u>\$ (31)</u> | <u>\$ 2</u> | <u>\$ (4)</u> |

- (3) Represents the minority shareholders' portion of the net loss from our then-majority owned subsidiary, Generation Health, Inc., acquired in the fourth quarter of 2009. In June 2012, the Company acquired the remaining 40% interest in Generation Health, Inc. from minority shareholders and employee option holders.
- (4) Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment. Additional details of the accounting change are discussed in Note 2 to the consolidated financial statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section of our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As of December 31, 2013, the Company had no derivative financial instruments or derivative commodity instruments in place and believes that its exposure to market risk associated with other financial instruments, principally interest rate risk inherent in its debt portfolio, is not material.

Item 8. Financial Statements and Supplementary Data

We refer you to the "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the fiscal year ended December 31, 2013, which sections are incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures: The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) as of December 31, 2013, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective at a reasonable assurance level and designed to ensure that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

Internal control over financial reporting: We refer you to "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the fiscal year ended December 31, 2013, which are incorporated by reference herein, for Management's report on the Registrant's internal control over financial reporting and the Independent Registered Public Accounting Firm's report with respect to the effectiveness of internal control over financial reporting.

Changes in internal control over financial reporting: There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred during the fourth quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

No events have occurred during the fourth quarter that would require disclosure under this item.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions “Committees of the Board,” “Code of Conduct,” “Director Nominations,” “Audit Committee Report,” “Biographies of our Board Nominees,” and “Section 16(a) Beneficial Ownership Reporting Compliance,” which sections are incorporated by reference herein. Biographical information on our executive officers is contained in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions “Executive Compensation and Related Matters,” including “Compensation Discussion & Analysis” and “Management Planning and Development Committee Report,” which sections are incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions “Share Ownership of Directors and Certain Executive Officers,” and “Share Ownership of Principal Stockholders” which sections are incorporated by reference herein, for information concerning security ownership of certain beneficial owners and management and related stockholder matters.

The following table summarizes information about the Company’s common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2013.

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾ | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) ⁽¹⁾ |
|--|--|---|--|
| Equity compensation plans approved by stockholders | 34,738 | \$ 41.40 | 37,557 |
| Equity compensation plans not approved by stockholders | — | — | — |
| Total | 34,738 | \$ 41.40 | 37,557 |

(1) Shares in thousands.

Item 13. Certain Relationships and Related Transactions and Director Independence

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the caption “Independence Determinations for Directors” and “Certain Transactions with Directors and Officers,” which sections are incorporated by reference herein.

Item 14. Principal Accountant Fees and Services

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the caption “Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm,” which section is incorporated by reference herein.

PART IV**Item 15. Exhibits and Financial Statement Schedules****A. Documents filed as part of this report:****1. Financial Statements:**

The following financial statements are incorporated by reference from our Annual Report to Stockholders for the fiscal year ended December 31, 2013, as provided in Item 8 hereof:

| | |
|---|----|
| Consolidated Statements of Income for the Years Ended December 31, 2013, 2012 and 2011 | 26 |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011 | 27 |
| Consolidated Balance Sheets as of December 31, 2013 and 2012 | 28 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011 | 29 |
| Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2013, 2012, and 2011 | 30 |
| Notes to Consolidated Financial Statements | 31 |
| Report of Independent Registered Public Accounting Firm | 60 |

2. Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable, not required under the instructions, or the information is included in the consolidated financial statements or related notes.

B. Exhibits

Exhibits marked with an asterisk (*) are hereby incorporated by reference to exhibits or appendices previously filed by the Registrant as indicated in brackets following the description of the exhibit.

| Exhibit | Description |
|---------|---|
| 2.1* | Agreement and Plan of Merger dated as of November 1, 2006 among, the Registrant, Caremark Rx, Inc. and Twain MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement No. 333-139470 on Form S-4 filed December 19, 2006). |
| 2.2* | Amendment No. 1 dated as of January 16, 2007 to the Agreement and Plan of Merger dated as of November 1, 2006 among the Registrant, Caremark Rx, Inc. and Twain Merger Sub Corp. (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007). |
| 2.3* | Waiver Agreement dated as of January 16, 2007 between the Registrant and Caremark Rx, Inc. with respect to the Agreement and Plan Merger dated as of November 1, 2006 by and between Registrant and Caremark Rx, Inc (incorporated by reference to Exhibit 2.3 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007). |
| 2.4* | Amendment to Waiver Agreement, dated as of February 12, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated February 13, 2007; Commission File No. 001-01011). |
| 2.5* | |

Amendment to Waiver Agreement, dated as of March 8, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrants' Current Report on Form 8-K dated March 8, 2007; Commission File No. 001-01011).

- 2.6* Agreement and Plan of Merger dated as of August 12, 2008 among, the Registrant, Longs Drug Stores Corporation and Blue MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 13, 2008; Commission File No. 001-01011).
- 3.1* Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996; Commission File No. 001-01011).

- 3.1A* Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective May 13, 1998 (incorporated by reference to Exhibit 4.1A to Registrant's Registration Statement No. 333-52055 on Form S-3/A dated May 18, 1998).
- 3.1B* Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated March 22, 2007; Commission File No. 001-01011).
- 3.1C* Certificate of Merger dated May 9, 2007 (incorporated by reference to Exhibit 3.1C to Registrant's Quarterly Report on Form 10-Q dated November 1, 2007; Commission File No. 001-01011).
- 3.1D* Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated May 13, 2010; Commission File No. 001-01011).
- 3.1E* Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report On Form 8-K dated May 10, 2012; Commission File No. 001-01011).
- 3.2* By-laws of the Registrant, as amended and restated (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 9, 2014; Commission File No. 001-01011).
- 4 Pursuant to Regulation S-K, Item 601(b)(4)(iii)(A), no instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries is filed with this report. The Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
- 4.1* Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement of the Registrant on Form 8-B dated November 4, 1996; Commission File No. 001-01011).
- 10.1* Stock Purchase Agreement dated as of October 14, 1995 between The TJX Companies, Inc. and Melville Corporation, as amended November 17, 1995 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated December 4, 1995; Commission File No. 001-01011).
- 10.2* Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation, as amended May 3, 1996 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated May 5, 1996; Commission File No. 001-01011).
- 10.3* Distribution Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and Footstar Center, Inc. (incorporated by reference to Exhibit 99.1 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
- 10.4* Tax Disaffiliation Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and certain subsidiaries named therein (incorporated by reference to Exhibit 99.2 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
- 10.5* Stockholder Agreement dated as of December 2, 1996 between the Registrant, Nashua Hollis CVS, Inc. and Linens 'n Things, Inc. (incorporated by reference to Exhibit 10(i)(6) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).

- 10.6* Tax Disaffiliation Agreement dated as of December 2, 1996 between the Registrant and Linens 'n Things, Inc. and certain of their respective affiliates (incorporated by reference to Exhibit 10(i)(7) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).
- 10.7* Four Year Credit Agreement dated as of May 12, 2011 by and among the Registrant, the lenders party thereto, Barclays Capital and JP Morgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and the Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011; Commission File No. 001-01011).
- 10.8* Amendment No. 1, dated as of November 22, 2011, to the Credit Agreement dated as of May 12, 2011 by and among the Registrant, the Lenders party thereto, the Co-Syndication Agents and Co-Documentation Agents named therein, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011).

- 10.9* Five Year Credit Agreement dated as of February 17, 2012, by and among the Registrant, the lenders party thereto, Barclays Capital and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012 (Commission File No. 001-01011).
- 10.10* Credit Agreement dated as of May 23, 2013, by and among the Registrant, the lenders party thereto, Barclays Bank PLC and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 (Commission File No. 001-01011).
- 10.11* Amendment No. 2, dated as of May 23, 2013, to the Credit Agreement dated as of May 12, 2011, by and among the Registrant, the lenders party thereto, Barclays Capital and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of Bank of New York Mellon, as Administrative Agent, as previously amended by Amendment No. 1, dated as of November 22, 2011 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 (Commission File No. 001-01011).
- 10.12* Supplemental Retirement Plan for Select Senior Management of CVS Caremark Corporation I as amended and restated in December 2008 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.13* CVS Caremark Corporation 1996 Directors Stock Plan, as amended and restated November 5, 2002 (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2002; Commission File No. 001-01011).
- 10.14* 1997 Incentive Compensation Plan as amended through December 2008 (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.15* Caremark Rx, Inc. 2004 Incentive Stock Plan (incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement No. 333-141481 on Form S-8 filed March 22, 2007).
- 10.16* CVS Caremark Deferred Stock Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.17 CVS Caremark Deferred Compensation Plan, as amended and restated.
- 10.18* 2010 Incentive Compensation Plan, as amended through January 15, 2013 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission file No. 001-01011).

- 10.19* 2007 Employee Stock Purchase Plan (incorporated by reference to Exhibit D of the Registrant's Definitive Proxy Statement filed April 4, 2007; Commission File No. 001-01011).
- 10.20 The Registrant's 2013 Management Incentive Plan.
- 10.21 The Registrant's 2013 Long-Term Incentive Plan.
- 10.22 The Registrant's Partnership Equity Program amended as of August 2013.
- 10.23 The Registrant's Severance Plan for Non-Store Employees amended as of April 2013.
- 10.24 The Registrant's Performance-Based Restricted Stock Unit Plan amended as of April 2013.
- 10.25 Form of Enterprise Non-Competition, Non-Disclosure and Developments Agreement between the Registrant and certain of the Registrant's executive officers.

- 10.26* Universal 409A Definition Document dated December 31, 2008 (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.27 Form of Non-Qualified Stock Option Agreement between the Registrant and selected employees of the Registrant.
- 10.28 Form of Restricted Stock Unit Agreement - Annual Grant - between the Registrant and selected employees of the Registrant.
- 10.29 Form of Performance-Based Restricted Stock Unit Agreement between the Registrant and selected employees of the Registrant.
- 10.30 Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Pre-Tax).
- 10.31 Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Post-Tax).
- 10.32* Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008; Commission File No. 001-01011).
- 10.33* Amendment dated December 21, 2012 to the Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
- 10.34 Form of Non-Qualified Stock Option Agreement between the Registrant and the Registrant's President and Chief Executive Officer.
- 10.35 Form of Restricted Stock Unit Agreement between the Registrant and the Registrant's President and Chief Executive Officer.
- 10.36* Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010; Commission File No. 001-01011).
- 10.37* Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
- 10.38* Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and President of CVS Caremark Pharmacy Services (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011).
- 10.39*

Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and President of CVS Caremark Pharmacy Services; incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (Commission File No. 001-01011).

10.40* Letter Agreement dated August 5, 2011 between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011).

- 10.41* Change in Control Agreement dated September 1, 2011 between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011).
- 10.42 Separation Agreement between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy dated December 10, 2013.
- 10.43 Change in Control Agreement dated December 1, 2008 between the Registrant and the Registrant's Former Executive Vice President and Chief Medical Officer.
- 13 Portions of the 2013 Annual Report to Stockholders of CVS Caremark Corporation, which are specifically designated in this Form 10-K as being incorporated by reference.
- 21 Subsidiaries of the Registrant.
- 23 Consent of Ernst & Young LLP.
- 31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from the CVS Caremark Corporation Annual Report on Form 10-K for the year ended December 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) related notes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

CVS CAREMARK CORPORATION

Date: February 10, 2014

By: /s/ DAVID M. DENTON

David M. Denton
Executive Vice President and Chief Financial
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title(s) | Date |
|--|--|-------------------|
| <u>/s/ C. DAVID BROWN II</u> C. David Brown II | Director | February 10, 2014 |
| <u>/s/ EVA C. BORATTO</u> Eva C. Boratto | Senior Vice President — Finance and Controller (Principal Accounting Officer) | February 10, 2014 |
| <u>/s/ DAVID M. DENTON</u> David M. Denton | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 10, 2014 |
| <u>/s/ NANCY-ANN M. DEPARLE</u> Nancy-Ann M. DeParle | Director | February 10, 2014 |
| <u>/s/ DAVID W. DORMAN</u> David W. Dorman | Chairman of the Board and Director | February 10, 2014 |
| <u>/s/ ANNE M. FINUCANE</u> Anne M. Finucane | Director | February 10, 2014 |
| <u>/s/ LARRY J. MERLO</u> Larry J. Merlo | President and Chief Executive Officer (Principal Executive Officer) and Director | February 10, 2014 |
| <u>/s/ JEAN-PIERRE MILLON</u> Jean-Pierre Millon | Director | February 10, 2014 |
| <u>/s/ RICHARD J. SWIFT</u> Richard J. Swift | Director | February 10, 2014 |
| <u>/s/ WILLIAM C. WELDON</u> William C. Weldon | Director | February 10, 2014 |
| <u>/s/ TONY L. WHITE</u> Tony L. White | Director | February 10, 2014 |

Patti Greenberg

From: Patti Greenberg
Sent: Wednesday, April 30, 2014 3:52 PM
To: Faircloth, Gerald
Cc: Tucker, Stacy; O'Neal, Julie; Lauren Borowsky; Mansard, Donna; Patti Greenberg
Subject: RE: Progress Report - Linear Accelerator Replacement CON 4833HT

Importance: High

Gerald

Per below, our next Report is due May 21, 2014. Could you advise as to the status of the project? Depending on your response, we will advise what we need for either a 'progress' or 'final' report to the CON office.

Thanks,
Patti Greenberg

Patti Greenberg, FACHE
National Healthcare Associates, Inc.
999 Ponce de Leon Blvd, Suite 950
Coral Gables, Florida 33134
305-444-5007 (p)
305-444-5598 (f)
305-205-5005 (c)

From: Faircloth, Gerald [<mailto:Gerald.Faircloth@hma.com>]
Sent: Friday, November 22, 2013 12:42 PM
To: Patti Greenberg
Cc: Fowler, Kevin; Holly, Randy; Meek, Joe; Ziesmer, Bill; Tucker, Stacy; O'Neal, Julie; Lauren Borowsky; James, Kenneth; Samuelson, Melissa; Mansard, Donna
Subject: RE: Progress Report - Linear Accelerator Replacement CON 4833HT

Thanks,
Gerald

From: Patti Greenberg [<mailto:pgreenberg@nhaconsulting.com>]
Sent: Friday, November 22, 2013 9:58 AM
To: Faircloth, Gerald
Cc: Fowler, Kevin; Holly, Randy; Meek, Joe; Ziesmer, Bill; Tucker, Stacy; O'Neal, Julie; Lauren Borowsky; James, Kenneth; Samuelson, Melissa; Patti Greenberg
Subject: FW: Progress Report - Linear Accelerator Replacement CON 4833HT

Gerald

We filed the Progress Report on the Linear Accelerator with the State, copy attached. Any questions, let us know. Next Report is due May 21, 2014. Based on current schedule, the project should be complete by then. We'll calendar to reach out to you around the 1st of May to obtain the requisite information and timely file the report. Any questions, let us know. Thanks.

Patti Greenberg

From: Patti Greenberg
Sent: Thursday, November 21, 2013 5:04 PM
To: Tara McKinney (Tara.McKinney@health.mo.gov)
Cc: Karla Houchins (Karla.Houchins@health.mo.gov); Lauren Borowsky; Patti Greenberg
Subject: Progress Report - Linear Accelerator Replacement CON 4833HT

Tara,

Attached is the Periodic Progress Report for CON 4833HT to replace the existing linear accelerator at Poplar Bluff Regional Medical Center. As you will note, the project is well underway with an estimated 80.7 percent completion, with construction and installation expected to be complete April 2014. If you need anything else, please advise.

Thanks,
Patti Greenberg

Patti Greenberg, FACHE
National Healthcare Associates, Inc.
999 Ponce de Leon Blvd, Suite 950
Coral Gables, Florida 33134
305-444-5007 (p)
305-444-5598 (f)
305-205-5005 (c)

Outline

CVS CAREMARK CORP filed this 10-K on 02/11/2014

Back to Results

Printer Friendly

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the fiscal year ended December 31, 2013

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
 For the transition period from to
 Commission file number 001-01011

CVS CAREMARK CORPORATION
 (Exact name of Registrant as specified in its charter)

Delaware
 (State or other jurisdiction of incorporation or organization)

050494040
 (I.R.S. Employer Identification No.)

One CVS Drive, Wausonocket, Rhode Island
 (Address of principal executive offices)

02895
 (Zip Code)

(401) 765-1500
 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Common Stock, par value \$0.01 per share
 Title of each class

New York Stock Exchange
 Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐
 Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
 (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates was approximately \$69,980,197.924 as of June 30, 2013, based on the closing price of the common stock on the New York Stock Exchange. For purposes of this calculation, only executive officers and directors are deemed to be the affiliates of the registrant.

As of February 4, 2014, the registrant had 1,182,427,156 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Filings made by companies with the Securities and Exchange Commission sometimes "incorporate information by reference." This means that the company is referring you to information that was previously filed or is to be filed with the SEC and this information is considered to be part of the filing you are reading. The following materials are incorporated by reference into this Form 10-K:

Portions of our Annual Report to Stockholders for the fiscal year ended December 31, 2013 are incorporated by reference in our response to Items 7, 8 and 9 of Part II.
 Information contained in our Proxy Statement for the 2014 Annual Meeting of Stockholders is incorporated by reference in our response to Items 10 through 14 of Part III.

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PART I

Item 1. Business

Overview

CVS Caremark Corporation ("CVS Caremark", the "Company", "we," "our" or "us"), together with its subsidiaries, is the largest integrated pharmacy health care provider in the United States. We are uniquely positioned to deliver significant benefits to health plan sponsors through effective cost management solutions and innovative programs that engage plan members and promote healthier and more cost-effective behaviors. Our integrated pharmacy services model enhances our ability to offer plan members and consumers expanded choice, greater access and more personalized services to help them on their path to better health. We effectively manage pharmaceutical costs and improve health care outcomes through our pharmacy benefit management ("PBM"), mail order and specialty pharmacy division, CVS Caremark Pharmacy Services, Caremark, CVS Caremark, CarePlus CVS/pharmacy, RxAmerica, Accordant, SilverScript and Novologix names. As of December 31, 2013, the Pharmacy Services Segment operated 25 retail specialty pharmacy stores, 11 specialty mail order pharmacies and four mail service dispensing pharmacies located in 22 states, Puerto Rico and the District of Columbia.

We currently have three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate.

Pharmacy Services Segment

The Pharmacy Services Segment provides a full range of PBM services, as described more fully below, to our clients consisting primarily of employers, insurance companies, unions, government employee groups, managed care organizations ("MCOs") and other sponsors of health benefit plans and individuals throughout the United States. In addition, through our SilverScript Insurance Company ("SilverScript") subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program. The Pharmacy Services Segment operates under the CVS Caremark Pharmacy Services, Caremark, CVS Caremark, CarePlus CVS/pharmacy, RxAmerica, Accordant, SilverScript and Novologix names. As of December 31, 2013, the Pharmacy Services Segment operated 25 retail specialty pharmacy stores, 11 specialty mail order pharmacies and four mail service dispensing pharmacies located in 22 states, Puerto Rico and the District of Columbia.

Pharmacy Services Business Strategy - Our business strategy centers on providing innovative pharmaceutical solutions and quality client service in order to enhance clinical outcomes for our clients' health benefit plan members while assisting our clients and their plan members in better managing overall health care costs. Our goal is to produce superior results for our clients and their plan members by leveraging our expertise in core PBM services, including: plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, mail order, specialty pharmacy and infusion services, retail pharmacy network management services, prescription management systems, clinical services, disease management services and medical spend management.

In addition, as a fully integrated pharmacy services company, we are able to offer our clients and their plan members a variety of programs and plan designs that benefit from our integrated information systems and the ability of our more than 26,000 pharmacists, nurse practitioners and physician assistants to interact personally with the many plan members who shop our stores every day. Through our multiple member touch points (retail stores, mail order and specialty pharmacies, retail clinics, call centers, proprietary websites and mobile devices), we seek to engage plan members in behaviors that lower cost and improve health care outcomes. Examples of these programs and services include: Maintenance Choice, a program where eligible client plan members can elect to fill their maintenance prescriptions at our retail pharmacy stores for the same price as mail order; Pharmacy Advisor, a program that facilitates face-to-face and telephone counseling by our pharmacists to help participating plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions; compliance and persistency programs designed to ensure that patients take their medications in the proper manner; enhanced disease management programs that are targeted at managing chronic disease states; and an ExtraCare Health Card program which offers discounts to eligible plan members on certain over-the-counter health care products sold in our CVS/pharmacy stores. In addition, MinuteClinic is an important and differentiated part of the enterprise capabilities available to PBM members. Ways we are working with our clients include partnerships with health plan clients sponsoring patient centered medical homes, biometric screening opportunities, closing gaps in care, co-pay reductions to encourage use of MinuteClinic and onsite clinics at client corporate headquarters.

PBM Services - Our PBM services are described more fully below.

Plan Design and Administration - Our clients sponsor pharmacy benefit plans that facilitate the ability of eligible members in these plans to receive prescribed medications. We assist our clients in designing pharmacy benefit plans that minimize the costs to the client while prioritizing the welfare and safety of the clients' members. We also administer these benefit plans for our

clients and assist them in monitoring the effectiveness of these plans through frequent, informal communications as well as through a formal annual client review.

We make recommendations to our clients encouraging them to design benefit plans promoting the use of the lowest cost, most clinically appropriate drug. We help our clients control costs by recommending plan designs that encourage the use of generic equivalents of brand name drugs when such equivalents are available. Our clients also have the option, through plan design, to further lower their pharmacy benefit plan costs by setting different member payment levels for different products on their drug lists.

Formulary Management - We utilize an independent panel of doctors, pharmacists and other medical experts, referred to as our Pharmacy and Therapeutics Committee, to select drugs that meet the highest standards of safety and efficacy for inclusion on our drug lists. Our drug lists provide recommended products in numerous drug classes to ensure member access to clinically appropriate alternatives under the client's pharmacy benefit plan. To improve clinical outcomes for members and clients, we conduct ongoing, independent reviews of all drugs, including, but not limited to, those appearing on the drug lists and generic equivalent products, as well as our clinical programs. Many of our clients choose to adopt our drug lists as part of their plan design.

Discounted Drug Purchase Arrangements - We negotiate with pharmaceutical companies to obtain discounted acquisition costs for many of the products on our drug lists, and these negotiated discounts enable us to offer reduced costs to clients that choose to adopt our drug lists. The discounted drug purchase arrangements we negotiate typically provide for volume discounts and/or the payment by the pharmaceutical companies of retroactive discounts, or rebates, from established list prices. For certain products that are purchased by our pharmacies, we receive discounts at the time of purchase and/or discounts for prompt payment of invoices. We also receive various purchase discounts under our wholesale contracts, which may include retroactive discounts, or rebates, if we exceed contractually-defined purchase volumes. We record these discounts, regardless of their form, as a reduction of our cost of revenues.

Medicare Part D Services - We participate in the administration of the drug benefit added to the Medicare program under Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("Medicare Part D") through the provision of PBM services to our health plan clients and other clients that have qualified as Medicare Part D prescription drug plans ("PDP"). We also participate (i) by offering Medicare Part D pharmacy benefits through our subsidiary, SilverScript, which has been approved as a PDP by the Centers for Medicare and Medicaid Services ("CMS"), and (ii) by assisting employer, union and other health plan clients that qualify for the retiree drug subsidy available under Medicare Part D by collecting and submitting eligibility and/or drug cost data to CMS in order for them to obtain the subsidy.

Mail Order Pharmacy - As of December 31, 2013, we operated four mail service dispensing pharmacies in the United States. Plan members or their prescribers submit prescriptions or refill requests, primarily for maintenance medications, to these pharmacies via mail, telephone, fax, e-prescribing or the Internet. We also operate a network of smaller mail service specialty pharmacies described below. Our staff pharmacists review mail service prescriptions and refill requests with the assistance of our prescription management systems. This review may involve communications with the prescriber and, with the prescriber's approval, can result in generic substitution, therapeutic interchange or other actions designed to reduce cost and improve quality of treatment. These pharmacies have been awarded Mail Service Pharmacy accreditation from Utilization Review Accreditation Commission ("URAC"), a Washington DC-based health care accrediting organization that establishes quality standards for the health care industry.

Specialty Pharmacy - Our specialty pharmacies support individuals that require complex and expensive drug therapies. As of December 31, 2013, our specialty pharmacies were comprised of 11 specialty mail order pharmacies located throughout the United States that are used for delivery of advanced medications to individuals with chronic or genetic diseases and disorders. Substantially all of these pharmacies have been accredited by the Joint Commission, which is an independent, not-for-profit organization that accredits and certifies more than 20,000 health care organizations and programs in the United States. These pharmacies have also been awarded Specialty Pharmacy accreditation from URAC. As of December 31, 2013, the Company operated a network of 25 retail specialty pharmacy stores, which operate under the CarePlus CVS/pharmacy name. These stores average 2,600 square feet in size and sell prescription drugs and a limited assortment of front store items such as alternative medications, homeopathic remedies and vitamins. In January 2014, we enhanced our offerings of specialty infusion services and began offering enteral nutrition services through our subsidiary Coram LLC ("Coram"), which we acquired on January 16, 2014. Coram is one of the nation's largest providers of comprehensive infusion services, caring for approximately 165,000 patients annually.

Retail Pharmacy Network Management - We maintain a national network of nearly 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies (which includes our CVS/pharmacy stores) and 27,000 independent pharmacies, in the

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United States, including Puerto Rico and the District of Columbia. When a customer fills a prescription in a retail pharmacy, the pharmacy sends prescription data electronically to us from the point-of-sale. This data interfaces with our proprietary prescription management systems, which verify relevant plan member data and eligibility, while also performing a drug utilization review to evaluate clinical appropriateness and safety and confirming that the pharmacy will receive payment for the prescription.

Prescription Management Systems - We dispense prescription drugs both directly, through one of our mail service or specialty pharmacies, or through a network of retail pharmacies. All prescriptions, whether they are filled through one of our mail service dispensing pharmacies or through a pharmacy in our retail network, are analyzed, processed and documented by our proprietary prescription management systems. These systems assist staff and network pharmacists in processing prescriptions by automating review of various items, including, but not limited to, plan eligibility, early refills, duplicate dispensing, appropriateness of dosage, drug interactions or allergies, over-utilization and potential fraud.

Clinical Services - We offer multiple clinical programs and services to help clients manage overall pharmacy and health care costs in a clinically appropriate manner. Our programs are primarily designed to promote safety, and to target inappropriate utilization and non-adherence to medication, each of which may result in adverse medical events that negatively impact member health and client pharmacy and medical spend. In this regard, we offer various utilization management, medication management, quality assurance, adherence, and counseling programs to complement the client's plan design and clinical strategies.

Disease Management Programs - Our clinical services utilize advanced protocols and offer clients convenience in working with health care providers and other third parties. Our Accordant[®] programs include integrated rare disease management programs, which cover diseases such as rheumatoid arthritis, Parkinson's disease, seizure disorders and multiple sclerosis. The majority of these integrated programs are accredited by the National Committee for Quality Assurance, a private, not-for-profit organization that evaluates, accredits and certifies a wide range of health care organizations. They have also been awarded Case Management Accreditation from URAC.

Medical Pharmacy Management - We offer a technology platform that helps identify and capture cost savings opportunities for specialty drugs billed under the medical benefit and helps ensure appropriate clinical use of these drugs.

Pharmacy Services Information Systems - We currently operate several adjudication platforms to support our Pharmacy Services Segment. The information systems incorporate architecture that centralizes the data generated from filling mail service prescriptions, adjudicating retail pharmacy claims and fulfilling other services we provide to PBM clients.

Pharmacy Services Clients - Our clients are primarily sponsors of health benefit plans (employers, insurance companies, unions, government employee groups and MCOs) and individuals located throughout the United States. We provide pharmaceuticals to eligible members in benefit plans maintained by our clients and utilize our information systems, among other things, to perform safety checks, drug interaction screening and generic substitution. We generate substantially all of our Pharmacy Services Segment net revenue from dispensing prescription drugs to eligible members in benefit plans maintained by our clients. No single PBM client accounted for 10% or more of our total consolidated revenues in 2013. Our client agreements are subject to renegotiation of terms. See "Risk Factors — Efforts to reduce reimbursement levels and alter health care financing practices" and "Risk Factors — Risks of declining gross margins in the PBM industry." During the year ended December 31, 2013, our PBM filled or managed approximately 902 million prescriptions.

Pharmacy Services Seasonality - The majority of our Pharmacy Services Segment revenues are not seasonal in nature.

Pharmacy Services Competition - We believe the primary competitive factors in the industry include: (i) the ability to negotiate favorable discounts from drug manufacturers; (ii) the ability to negotiate favorable discounts from, and access to, retail pharmacy networks; (iii) responsiveness to clients' needs; (iv) the ability to identify and apply effective cost management programs utilizing clinical strategies; (v) the ability to develop and utilize preferred drug lists; (vi) the ability to market PBM products and services; (vii) the commitment to provide flexible, clinically-oriented services to clients; and (viii) the quality, scope and costs of products and services offered to clients and their members. The Pharmacy Services Segment has a significant number of competitors offering PBM services (e.g., Express Scripts, OptumRx, Catamaran and Prime Therapeutics) including large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs.

Retail Pharmacy Segment

As of December 31, 2013, the Retail Pharmacy Segment included 7,660 retail drugstores, of which 7,603 operated a pharmacy, our online retail pharmacy websites, CVS.com and Onofre.com.br, 17 onsite pharmacy stores and our retail health care clinics.

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The retail drugstores are located in 43 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS/pharmacy[®], Longs Drugs[®] and Drogoria Onofre[®] names. We currently operate in 95 of the top 100 U.S. drugstore markets and hold the number one or number two market share in 36 of these markets. CVS/pharmacy stores sell prescription drugs and a wide assortment of over-the-counter and personal care products, beauty and cosmetic products, and general merchandise, which we refer to as "front store" products. Existing retail stores range in size from approximately 5,000 to 30,000 square feet, although most new stores range in size from approximately 8,000 to 13,000 square feet and typically include a drive-thru pharmacy. During 2013, we filled 734 million retail prescriptions, or approximately 21% of the U.S. retail pharmacy market.

As of December 31, 2013, we operated 800 retail health care clinics in 28 states and the District of Columbia under the MinuteClinic[®] name, 792 of which were located within CVS/pharmacy stores.

Retail Pharmacy Business Strategy - Our integrated pharmacy services model has enhanced the ability of our retail pharmacy stores to expand customer access to care while helping to lower overall health care costs and improve health outcomes. In that regard, the role of our retail pharmacist is shifting from primarily dispensing prescriptions to also providing services, including flu vaccinations as well as face-to-face patient counseling with respect to adherence to drug therapies, closing gaps in care and more cost effective drug therapies. In addition, personalization is core to our retail strategy. We have a number of initiatives underway, such as ExtraCare and a weekly individually tailored circular that acts as a personal shopper for the customer, that are designed to help us connect directly with individual consumers to deliver a personalized experience. We also provide a broad assortment of quality merchandise at competitive prices using a retail format that emphasizes service, innovation and convenience. One of the keys to our strategy is technology, which allows us to focus on constantly improving service and exploring ways to provide more personalized product offerings and services. We believe that continuing to be the first to market with new and unique products and services, using innovative marketing and adjusting our mix of merchandise to match our customers' needs and preferences is very important to our ability to continue to improve customer satisfaction.

Retail Pharmacy Products and Services - A typical CVS/pharmacy store sells prescription drugs and a wide assortment of high-quality, nationally advertised brand name and proprietary brand merchandise. Front store categories include over-the-counter drugs, beauty products and cosmetics, photo finishing services, seasonal merchandise, greeting cards and convenience foods. We purchase our merchandise from numerous manufacturers and distributors. We believe that competitive sources are readily available for substantially all of the products we carry and the loss of any one supplier would not likely have a material effect on the business.

Retail Pharmacy Segment net revenues by major product group are as follows:

| | Percentage of Net Revenues ⁽¹⁾ | | |
|------------------------------------|---|--------|--------|
| | 2013 | 2012 | 2011 |
| Prescription drugs | 69.5% | 68.8% | 68.3% |
| Over-the-counter and personal care | 11.0 | 10.9 | 10.9 |
| Beauty/cosmetics | 4.9 | 5.0 | 5.2 |
| General merchandise and other | 14.6 | 15.3 | 15.6 |
| | 100.0% | 100.0% | 100.0% |

Pharmacy - Pharmacy revenues represented more than two-thirds of Retail Pharmacy revenues in each of 2013, 2012 and 2011. We believe that our pharmacy operations will continue to represent a critical part of our business due to favorable industry trends (e.g., an aging American population consuming a greater number of prescription drugs, pharmaceuticals being used more often as the first line of defense for managing illness, and the impact of expanded health insurance coverage through the Affordable Care Act), the introduction of new pharmaceutical products, Medicare Part D and our ongoing program of purchasing customer lists from independent pharmacies. We believe our pharmacy business benefits from our investment in both people and technology. Given the nature of prescriptions, people want their prescriptions filled accurately by professional pharmacists using the latest tools and technology, and ready when promised. Consumers need medication management programs and better information to help them get the most out of their health care dollars. To assist our customers with these needs, we have introduced integrated pharmacy health care services that provide an earlier, easier and more effective approach to engaging them in behaviors that can help lower costs, improve health, and save lives. Examples include: our Patient Care Initiative, an enhanced medication adherence program; Maintenance

Choice*, a program where eligible client plan members can elect to fill their maintenance prescriptions at our retail pharmacy stores for the same price as mail order; and Pharmacy Advisor*, our program that facilitates pharmacist counseling, both face-to-face and over the telephone, to help participating

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plan members with certain chronic diseases, such as diabetes and cardiovascular conditions, to identify gaps in care, adhere to their prescribed medications and manage their health conditions. Further evidencing our belief in the importance of pharmacy service is our continuing investment in technology, such as our Drug Utilization Review system that checks for harmful interactions between prescription drugs, over-the-counter products, vitamins and herbal remedies; our pharmacy fulfillment system, Rx Connect; our prescription refill program, ReadyFill*; and our online business, CVS.com*.

Front Store - Front store revenues benefited from our strategy to be the first to market with new and unique products and services, using innovative marketing and adjusting our mix of merchandise to match our customers' needs and preferences. A key component of our front store strategy is our ExtraCare* card program, which is helping us continue to build our loyal customer base. The ExtraCare program is one of the largest and most successful retail loyalty programs in the United States. In addition, the ExtraCare program allows us to balance our marketing efforts so we can reward our best customers by providing them automatic sale prices, customized coupons, ExtraBucks* rewards and other benefits. Another component of our front store strategy is our unique product offerings, which include a full range of high-quality CVS/pharmacy* and proprietary brand products that are only available through CVS/pharmacy stores. We currently carry over 4,300 CVS/pharmacy and proprietary brand products, which accounted for approximately 18% of our front store revenues during 2013. Furthermore, we are tailoring certain groups of stores, such as our urban cluster stores, to better meet the needs of our customers.

MinuteClinic - As of December 31, 2013, we operated 800 MinuteClinic* locations in 28 states and the District of Columbia; of which 792 were located in CVS/pharmacy stores. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations. Many locations have also begun treating a variety of chronic conditions. Insurers value MinuteClinic because it provides convenient, high-quality, cost-effective care, in many cases offering an attractive alternative to more expensive sites of care. As a result, visits paid for by employers, health insurers or other third parties accounted for approximately 85% of MinuteClinic's total revenues in 2013. We anticipate opening up approximately 150 new clinics in CVS/pharmacy stores during 2014. MinuteClinic is collaborating with our Pharmacy Services Segment to help meet the needs of CVS Caremark's client plan members by offering programs that can improve member health and lower costs. MinuteClinic is now affiliated with 30 major health systems.

Onsite Pharmacies - We also operate a limited number of small pharmacies located at client sites under the CarePlus CVS/pharmacy* or CVS/pharmacy* name, which provide certain health plan members and customers with a convenient alternative for filling their prescriptions.

Retail Pharmacy Store Development - The addition of new stores has played, and will continue to play, a major role in our continued growth and success. Our store development program focuses on three areas: entering new markets, adding stores within existing markets and relocating stores to more convenient, freestanding sites. During 2013, we opened 169 new retail pharmacy stores, relocated 78 stores and closed 13 stores. During the last five years, we opened more than 1,300 new and relocated stores, and acquired 82 stores. During 2014, we expect square footage growth of between 2% to 3%. We believe that continuing to grow our store base and locating stores in desirable geographic markets are essential components to compete effectively in the current health care environment. As a result, we believe that our store development program is an integral part of our ability to maintain our leadership position in the retail drugstore industry.

Retail Pharmacy Information Systems - We have continued to invest in information systems to enable us to deliver exceptional customer service, enhance safety and quality, and expand our patient care services while lowering operating costs. In 2012, we completed the rollout of our proprietary WeCARE Workflow to all retail pharmacy locations. WeCARE Workflow is an integrated suite of enhancements to our RxConnect fulfillment system, pharmacy POS terminals and phone system to support our pharmacy colleagues and customers by seamlessly integrating and prioritizing prescription fulfillment, prescriber contact management, customer service actions and patient care interventions into a cohesive workflow. In the near term, this solution delivers improved efficiency and enhances the customer experience. Longer term, the solution provides a framework to accommodate the evolution of pharmacy practice and the expansion of our clinical programs. Our Consumer Engagement Engine* technology and proprietary clinical algorithms enable us to identify opportunities for our pharmacists to deliver face-to-face counseling regarding patient health and safety matters, including adherence issues, gaps in care and management of certain chronic health conditions. Our digital strategy empowers the consumer to navigate their pharmacy experience and manage their condition through our on-line and mobile tools that offer utility and convenience. CVS.com gained a new look and added new tools, such as access to world-class drug information and personalization of pharmacy services. We experienced strong adoption of our digital solutions with our mobile app receiving critical acclaim for ease of use and our text message program experiencing unprecedented growth.

Retail Pharmacy Customers - Managed care organizations, government-funded health care programs (including state Medicaid plans and Medicare Part D drug plans), commercial employers and other third party plans accounted for 97.9% of our

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2013 pharmacy revenues. The loss of any one payor should not have a material effect on our business. No single retail payor accounts for 10% or more of our total consolidated revenues. However, the success of our retail drugstore business is dependent upon our ability to establish and maintain contractual relationships with PBMs and other payors on acceptable terms. Our contracts with commercial payors and government-funded programs are subject to renegotiation of reimbursement rates. See "Government Regulation — Reimbursement" and Item 1A, "Risk Factors — Efforts to reduce reimbursement levels and alter health care financing practices."

Retail Pharmacy Seasonality - The majority of our revenues, particularly pharmacy revenues, are generally not seasonal in nature. However, front store revenues tend to be higher during the December holiday season. For additional information, we refer you to Note 16 "Quarterly Financial Information" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Retail Pharmacy Competition - The retail drugstore business is highly competitive. We believe that we compete principally on the basis of: (i) store location and convenience, (ii) customer service and satisfaction, (iii) product selection and variety and (iv) price. In the markets we serve, we compete with other drugstore chains, supermarkets, discount retailers, independent pharmacies, membership clubs, Internet companies, and retail health clinics, as well as other mail order pharmacies and PBMs.

Corporate Segment

Our Corporate Segment provides management and administrative services to support the overall operations of the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

Generic Sourcing Venture

In December 2013, we announced the signing of an agreement with Cardinal Health, Inc. ("Cardinal Health") to form a generic pharmaceutical sourcing entity. This entity is expected to be operational as soon as July 1, 2014, and will have an initial term of ten years. Under this arrangement, both companies are contributing their sourcing and supply chain expertise to this entity and are committing to source and negotiate generic pharmaceutical supply contracts for both CVS Caremark and Cardinal Health through the entity.

Working Capital Practices

We fund the growth of our business through a combination of cash flow from operations, commercial paper, proceeds from sale-leaseback transactions and long-term borrowings. For additional information on our working capital practices, we refer you to the caption "Liquidity and Capital Resources" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein. The majority of our non-pharmacy revenues are paid in cash, debit or credit cards, while managed care and other third party insurance programs, which typically settle in less than 30 days, represented approximately 99.2% of our consolidated pharmacy revenues, including both Retail Pharmacy and Pharmacy Services combined, in 2013. The remainder of consolidated pharmacy revenues are paid in cash, debit or credit cards. Our customer returns are not significant.

Colleague Development

As of December 31, 2013, we employed approximately 208,000 colleagues, which included more than 26,000 pharmacists, nurse practitioners and physician assistants. The total included, approximately 78,000 part-time colleagues who work less than 30 hours per week. To deliver the highest levels of service to our customers, we devote considerable time and attention to our people and service standards. We emphasize attracting and training knowledgeable, friendly and helpful associates to work in our organization.

Intellectual Property

We have registered and/or applied to register a variety of our trademarks and service marks used throughout our business, as well as domain names, and rely on a combination of copyright, patent, trademark and trade secret laws, in addition to contractual restrictions, to establish and protect our proprietary rights. We regard our intellectual property as having significant value in our Pharmacy Services and Retail Pharmacy segments. We are not aware of any facts that could materially impact our continuing use of any of our intellectual property.

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Government Regulation

Overview - Our business is subject to federal and state laws and regulations that govern the purchase, sale and distribution of prescription drugs and related services, including administration and management of prescription drug benefits. Many of our PBM clients and our payors in the Retail Pharmacy Segment, including insurers and MCOs, are themselves subject to extensive regulations that affect the design and implementation of prescription drug benefit plans that they sponsor. The application of these complex legal and regulatory requirements to the detailed operation of our business creates areas of uncertainty, particularly following the enactment of the Medicare Modernization Act ("MMA") and the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, "ACA"), some of the most significant legal and regulatory developments in the past 50 years. In addition to the MMA and ACA, there are numerous proposed health care laws and regulations at the federal and state levels, some of which could adversely affect our business if they are enacted. We are unable to predict what federal or state legislation or regulatory initiatives may be enacted in the future relating to our business or the health care industry in general, or what effect any such legislation or regulations might have on our business. Any failure or alleged failure to comply with applicable laws and regulations as summarized below, or any adverse applications of, or changes in, the laws and regulations affecting our business, could have a material adverse effect on our operating results and/or financial condition.

Anti-Remuneration Laws - Federal law prohibits, among other things, an entity from knowingly and willfully offering, paying, soliciting or receiving, subject to certain exceptions and "safe harbors," any remuneration to induce the referral of individuals or the purchase, lease or order (or the arranging for or recommending of the purchase, lease or order) of items or services for which payment may be made under Medicare, Medicaid or certain other federal health care programs. A number of states have similar laws, some of which are not limited to services paid for with government funds. State laws and exceptions or safe harbors vary and have been infrequently interpreted by courts or regulatory agencies. Sanctions for violating these federal and state anti-remuneration laws may include imprisonment, criminal and civil fines, and exclusion from participation in Medicare, Medicaid and other government-sponsored health care programs. The federal anti-remuneration law has been interpreted broadly by some courts, the Office of Inspector General (the "OIG") within the United States Department of Health and Human Services ("HHS") and administrative bodies. See Item 3, "Legal Proceedings" for further information.

Antitrust and Unfair Competition - The Federal Trade Commission ("FTC") has authority under Section 5 of the Federal Trade Commission Act ("FTCA") to investigate and prosecute practices that are "unfair trade practices" or "unfair methods of competition." Numerous lawsuits have been filed throughout the United States against pharmaceutical manufacturers, retail pharmacies and/or PBMs under various state and federal antitrust and unfair competition laws challenging, among other things: (i) brand drug pricing practices of pharmaceutical manufacturers, (ii) the maintenance of retail pharmacy networks by PBMs, and (iii) various other business practices of PBMs and retail pharmacies. To the extent that we appear to have actual or potential market power in a relevant market, our business arrangements and uses of confidential information may be subject to heightened scrutiny from an anti-competitive perspective and possible challenge by state or federal regulators or private parties. See Item 3, "Legal Proceedings" for further information.

Consumer Protection Laws - The federal government has many consumer protection laws, such as the FTCA, the Federal Postal Service Act and the FTC's Telemarketing Sales Rule. Most states also have similar consumer protection laws. These laws have been the basis for investigations, lawsuits and multi-state settlements relating to, among other matters, the marketing of loyalty programs and health care services, pricing accuracy, expired front store products and financial incentives provided by drug manufacturers to pharmacies in connection with therapeutic interchange programs.

Contract Audits - We are subject to audits of many of our contracts, including our PBM client contracts, our PBM rebate contracts, our contracts relating to Medicare Part D and the agreement our pharmacies enter into with payors. Because some of our contracts are with state or federal governments or with entities contracted with state or federal agencies, audits of these agreements are often regulated by the federal or state agencies responsible for administering federal or state benefits programs, including those which operate Medicaid fee for service plans, Managed Medicaid plans, Medicare Part D plans or Medicare Advantage organizations.

Disease Management Services Regulation - We provide disease management programs to PBM plan members for rare medical conditions and arrange for them to receive disease management programs for common medical conditions. State laws regulate the practice of medicine, the practice of pharmacy and the practice of nursing. Clinicians engaged in a professional practice in connection with the provision of disease management services must satisfy applicable state licensing requirements.

Environmental Regulation - Our business is subject to various federal, state and local laws, regulations and other requirements pertaining to protection of the environment and public health, including, for example, regulations governing the management of waste materials and waste waters. Governmental agencies on the federal, state and local levels have, in recent

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years, increasingly focused on the retail sector's compliance with such laws and regulations, and have at times pursued enforcement activities.

ERISA Regulation - The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), provides for comprehensive federal regulation of certain employee pension and benefit plans, including private employer and union sponsored health plans that contract with us to provide PBM services. In general, we assist plan sponsors in the administration of the prescription drug portion of their health benefit plans, in accordance with the plan designs adopted by the plan sponsors. We do not believe that the conduct of our business subjects us to the fiduciary obligations of ERISA, except when we have specifically contracted with a plan sponsor to accept limited fiduciary responsibility, such as for the adjudication of initial prescription drug benefit claims and/or the appeals of denied claims under a plan, and with respect to the Contraceptive Coverage Mandate, one of the health reforms included in ACA. We and other PBMs have been named in lawsuits alleging that we act as a fiduciary, as such term is defined by ERISA, with respect to health benefit plans and that we have breached certain fiduciary obligations under ERISA.

In addition to its fiduciary provisions, ERISA imposes civil and criminal liability on service providers to health plans and certain other persons if certain forms of illegal remuneration are made or received. These provisions of ERISA are similar, but not identical, to the health care anti-remuneration statutes discussed above, although ERISA lacks the statutory and regulatory "safe harbor" exceptions incorporated into the health care statutes. Similar to these health care statutes, the corresponding provisions of ERISA are broadly written and their application to specific business practices is often uncertain.

State laws discussed in this Government Regulation section that may be applicable to us or to plan sponsors that are our customers may be preempted in whole or in part by ERISA. However, the scope of ERISA preemption is uncertain and is subject to conflicting court rulings.

False Claims and Fraudulent Billing Statutes - A range of federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant of these laws is the Federal False Claims Act ("FCA"), which prohibits the submission of a false claim or the making of a false record or statement in order to secure reimbursement from, or limit reimbursement to, a government-sponsored program. The Fraud Enforcement and Recovery Act of 2009 ("FERA") implemented substantial changes to the FCA which expands the scope of FCA liability, provides for new investigative tools and makes it easier for *qui tam* relators (often referred to as "whistleblowers") to bring and maintain FCA suits on behalf of the government. ACA further eased the burden for whistleblowers to bring and maintain FCA suits by modifying the "public disclosure" and "original source" provisions of the FCA. Most states have passed substantially similar acts. In recent years, federal and state government authorities have launched several initiatives aimed at uncovering practices that violate false claims or fraudulent billing laws, and they have conducted numerous investigations of pharmaceutical manufacturers, PBMs, pharmacies and health care providers with respect to false claims, fraudulent billing and related matters. See Item 3, "Legal Proceedings" for further information.

FDA Regulation - The United States Food and Drug Administration ("FDA") generally has authority to regulate drugs, drug classifications and drug promotional information and materials that are disseminated by a drug manufacturer or by other persons on behalf of a drug manufacturer. The FDA also has the regulatory authority (i) over many of the products sold through retail pharmacies, including certain food items, cosmetics, dietary supplements and over-the-counter ("OTC") medications, and (ii) to require the submission and implementation of a risk evaluation and mitigation strategy ("REMS") if the FDA determines that a REMS is necessary for the safe and effective marketing of a drug. To the extent we dispense products subject to REMS requirements or provide REMS services to pharmaceutical manufacturers, we are subject to audit by the FDA and the pharmaceutical manufacturer. The FDA also has regulatory authority over medical devices such as OTC genetic tests and genetic tests conducted by medical laboratories, and the FDA continues to evaluate the need for further regulation of such tests.

Federal Employee Health Benefits Program - We have a contractual arrangement with the BlueCross BlueShield Association ("BCBSA") to provide pharmacy services to federal employees, postal workers, annuitants, and their dependents under the Government-wide Service Benefit Plan, as authorized by the Federal Employees Health Benefits Act ("FEHBA") and as part of the Federal Employees Health Benefits Program ("FEHBP"). This arrangement subjects us to FEHBA, and other federal regulations, such as the Federal Employees Health Benefits Acquisition Regulation, that otherwise are not applicable to us.

Formulary Regulation - A number of states regulate the administration of prescription drug benefits. Additionally, the National Association of Insurance Commissioners ("NAIC") has developed a model law, the "Health Careers Prescription Drug Benefit Management Model Act," that addresses formulary regulation issues for risk-bearing entities regulated by state insurance commissioners and could form the basis of state legislation. Medicare Part D regulates how formularies are developed and administered, including requiring the inclusion of all drugs in certain classes and categories, subject to limited exceptions, on a Medicare Part D plan's formulary. ACA's Essential Health Benefits Rule also imposes minimum drug coverage

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requirement for health plans subject to these requirements, including plans offered through the Federal or State Exchanges. The increasing government regulation of formularies could significantly affect our ability to develop and administer formularies on behalf of our insurer, MCO and other clients.

Government Agreements and Mandates - In March 2008, the Company entered into a settlement agreement with the federal government and a number of states related to the dispensing of the generic drug lamivudine at its retail pharmacies. At the same time, the Company entered into a corporate integrity agreement with the OIG for a period of five years applicable to certain retail and mail service operations of the Company. This 2008 corporate integrity agreement requires, among other things, maintenance of our compliance program, employee training, specific reviews by an independent review organization and various government reporting obligations. In April 2011, we entered into an amendment of the corporate integrity agreement in connection with the previously announced settlement of a federal and state government investigation of certain retail pharmacy billing practices with respect to "dual eligible" customers having both Medicaid coverage and other third-party insurance coverage. This amendment requires the Company to comply with the corporate integrity agreement, as amended, for a period of three years and further requires, among other things, additional employee training obligations, additional reporting obligations and periodic Medicaid billing reviews by an independent review organization. Failure to meet our obligations under this corporate integrity agreement, as amended, could result in stipulated financial penalties, and failure to comply with material terms could lead to exclusion of our applicable business from participation in federal health care programs.

In January 2009, we entered into separate settlement agreements with the FTC and the HHS Office for Civil Rights ("OCR") resolving a joint investigation of disposal of patient information at a limited number of CVS/pharmacy locations. As part of the FTC settlement, we agreed to maintain an appropriate enterprise-wide information security program during the twenty-year term of the agreement with biennial compliance monitoring by an external assessor. As part of the OCR settlement, we agreed to maintain confidential waste disposal policies and procedures, training and employee sanctions at our retail stores. The OCR settlement provided for annual compliance monitoring by an external assessor. In June 2013, we received from the OCR a closure letter that noted we were in material compliance with our OCR settlement agreement and we had significantly improved our retail store processes surrounding protected health information and that our mandatory monitoring and reporting obligations were satisfied.

In October 2010, the Company entered into a non-prosecution agreement and civil settlement agreement with the U.S. Department of Justice ("DOJ") and various United States Attorneys' Offices relating to the sale and distribution of pseudoephedrine products at certain CVS/pharmacy stores, primarily in California and Nevada. The Company also entered into a related memorandum of agreement with the U.S. Drug Enforcement Administration ("DEA"). The non-prosecution agreement and the memorandum of agreement contain certain ongoing compliance requirements for the Company, and failure to comply with the terms of these documents could lead to civil or criminal remedies, financial penalties and/or administrative remedies against the DEA registrations for our retail pharmacies and distribution centers. The term of the non-prosecution agreement was three years and ended in October 2013. The term of the memorandum of agreement is five years.

In May 2012, a previously announced proposed consent order between the FTC and the Company became final and concluded an FTC investigation of the Company that commenced in 2009. The final consent order prohibits the Company from misrepresenting the price or cost of Medicare Part D prescription drugs or other prices or costs associated with Medicare Part D prescription drug plans.

On October 12, 2012, the DEA Administrator published its Final Decision and Order revoking the DEA license registrations for dispensing controlled substances at two of our retail pharmacy stores in Sanford, Florida. The license revocations for the two stores formally became effective on November 13, 2012. The pharmacies had voluntarily suspended dispensing controlled substances since April 2012, and have continued operating in that manner in compliance with the DEA Order.

In addition to the government agreements described above, the Company and/or its various affiliates are subject to other consent decrees or settlement agreements with various federal, state and local authorities that may contain certain ongoing reporting, monitoring or other compliance requirements for the Company. These agreements relate to such matters as privacy practices, waste disposal practices, selling expired products, environmental and safety matters, tobacco sales, marketing and advertising practices, pharmacy operations and various other business practices.

Health Reform Legislation - Congress passed major health reform legislation in 2010 referred to in this document as ACA. This legislation affects virtually every aspect of health care in the country. In addition to establishing the framework for every individual to have health coverage beginning in 2014, ACA enacted a number of significant health care reforms. While not all of these reforms affect our business directly, many affect the coverage and plan designs that are or will be provided by many of our health plan clients. As a result, these reforms could indirectly impact many of our services and business practices, and, in many other cases, directly impact our services and business practices. Given that many of the regulations implementing ACA

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are still being finalized and that ongoing sub-regulatory guidance is still being issued, there is considerable uncertainty as to its full impact on our Company.

Managed Care Reform - In addition to health reforms enacted by ACA, proposed legislation has been considered at the state level, and legislation has been enacted in several states, aimed primarily at providing additional rights and access to drugs to individuals enrolled in managed care plans. This legislation may impact the design and implementation of prescription drug benefit plans sponsored by our PBM health plan clients and/or the services we provide to them. Both the scope of the managed care reform proposals considered by state legislatures and reforms enacted by states to date vary greatly, and the scope of future legislation that may be enacted is uncertain.

Medicare Part D - The Medicare Part D program, which makes prescription drug coverage available to eligible Medicare beneficiaries through private insurers, regulates all aspects of the provision of Medicare drug coverage, including enrollment, formularies, pharmacy networks, marketing, and claims processing. The Medicare Part D program has undergone significant legislative and regulatory changes since its inception, including changes made by ACA.

In April 2012, CMS issued a rule that requires coverage other than basic prescription drug coverage offered through Medicare Part D employer group waiver plans ("EGWPs") to be included in the definition of "other health or prescription drug coverage," starting January 1, 2014. CMS has clarified that, because the supplemental benefits primarily reduce cost sharing on claims covered under the basic benefit, they will continue as a practical matter to be subject to the Medicare Part D rules.

Medicare Part D continues to attract a high degree of legislative and regulatory scrutiny, and the applicable government rules and regulations continue to evolve. CMS sanctions for non-compliance may include suspension of enrollment and even termination from the program. CMS has imposed restrictions and consent requirements for automatic prescription delivery programs, further limited the circumstances under which Medicare Part D plans may recoup payments to pharmacies for claims that are subsequently determined not payable under Medicare Part D and, is expected to issue a proposed regulation that may limit the ability of Medicare Part D plans to establish preferred pharmacy networks. Accordingly, it is possible that legislative and regulatory developments and regulatory oversight could materially affect our Medicare Part D business or profitability.

Network Access Legislation - A majority of states now have some form of legislation affecting the ability to limit access to a pharmacy provider network or remove network providers. Certain "any willing provider" legislation may require us or our clients to admit a non-participating pharmacy if such pharmacy is willing and able to meet the plan's price and other applicable terms and conditions for network participation. These laws vary significantly from state to state in regard to scope, requirements and application. To the extent any state or federal any willing provider laws are determined to apply to us or to certain of our clients or to the pharmacy networks we manage for our PBM clients, such laws could negatively impact the services and economic benefits achievable through a limited pharmacy provider network.

PBM Laws and Regulation - Legislation seeking to regulate PBM activities in a comprehensive manner has been introduced or enacted in a number of states. This legislation varies in scope and often contains provisions that may impact our Company. To the extent states or other government entities enact legislation regulating PBMs that survive legal challenges to their enforceability, such legislation could adversely impact our ability to conduct business on commercially reasonable terms in locations where the legislation is in effect.

In addition, certain quasi-regulatory organizations, including the National Association of Boards of Pharmacy and the NAIC have issued model regulations or may propose future regulations concerning PBMs and/or PBM activities. Similarly, credentialing organizations such as the National Committee for Quality Assurance and the URAC may establish voluntary standards regarding PBM or specialty pharmacy activities. While the actions of these quasi-regulatory or standard-setting organizations do not have the force of law, they may influence states to adopt their requirements or recommendations and influence client requirements for PBM or specialty pharmacy services. Moreover, any standards established by these organizations could also impact our health plan clients and/or the services we provide to them.

Pharmacy and Professional Licensure and Regulation - We are subject to state and federal statutes and regulations governing the operation of retail and mail pharmacies, the transfer of prescriptions, repackaging of drug products, wholesale distribution, dispensing of controlled substance and listed chemical products, and medical and controlled substance waste disposal. Federal and state statutes and regulations govern the labeling, packaging, advertising and adulteration of prescription drugs and the dispensing of controlled substances, and some state regulations require compliance with standards established by the United States Pharmacopeia with respect to the packaging, storing and shipping of pharmaceuticals. Federal and state controlled substance laws require us to register our pharmacies and distribution centers with the DEA and state controlled substances agencies and to comply with security, recordkeeping, inventory control, personnel and labeling standards in order to

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possess and dispense controlled substances and listed chemical products. We undergo audits by these regulatory bodies on a regular basis.

Plan Design Legislation - Some states have enacted legislation that prohibits a health plan sponsor from implementing certain restrictive design features, and many states have introduced legislation to regulate various aspects of managed care plans, including provisions relating to pharmacy benefits. Legislation imposing plan design mandates may apply to certain of our clients and could have the effect of limiting the economic benefits achievable through PBM services we provide.

Privacy and Confidentiality Requirements - Many of our activities involve the receipt, use and disclosure by us of personally identifiable information ("PII") as permitted in accordance with applicable federal and state privacy and data security laws, which require organizations to provide appropriate privacy protections and security safeguards for such information. In addition to PII, we use and disclose de-identified data for analytical and other purposes.

The Federal Health Insurance Portability and Accountability Act of 1996 and the regulations issued thereunder (collectively "HIPAA") impose extensive requirements on the way in which health plans, health care providers, health care clearinghouses (known as "covered entities") and their business associates use, disclose and safeguard protected health information ("PHI"). HIPAA also gives individuals certain rights with respect to their PHI. For most uses and disclosures of PHI other than for treatment, payment, health care operations or certain public policy purposes, HIPAA generally requires that covered entities obtain the individual's written authorization. Criminal penalties and civil sanctions may be imposed for failing to comply with HIPAA standards. In January 2013, HHS issued a rule implementing the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted as part of the American Recovery and Reinvestment Act of 2009. Among other things, the rule expands the circumstances under which authorizations are required to send communications to individuals that are funded by third parties and extends HIPAA privacy and security requirements and penalties directly to business associates of covered entities.

In addition to HIPAA, most states have enacted health care information confidentiality laws which limit the disclosure of confidential medical information. These state laws supersede HIPAA to the extent they are more protective of individual privacy than is HIPAA.

HHS has also issued regulations requiring federal and state exchanges to impose privacy and security standards on non-Exchange entities to protect PHI obtained through the exchanges beginning in 2014. In proposed regulations, HHS has defined the term "non-exchange entities" to include insurers offering plans through the exchanges and would require that these entities in turn impose the same or more stringent privacy and security standards on their "downstream entities". If this rule is finalized as proposed, unless HIPAA-covered entities are able to negotiate with an exchange to accept compliance with HIPAA privacy and security standards as a substitute for complying with the exchange privacy and security standards, insurers offering plans through the exchanges and their business associates could potentially be subject to additional privacy and security standards in addition to HIPAA and existing more stringent state laws.

Reimbursement - A significant portion of our net revenue is derived directly from Medicare, Medicaid and other government-sponsored health care programs, and we are therefore subject to, among other laws and regulations, federal and state reimbursement laws and regulatory requirements, anti-remuneration laws, the Stark Law and/or federal and state false claims laws. (See the "Self-Referral Laws" section below for explanation of the Stark Law.) Sanctions for violating these federal and/or state laws may include, without limitation, recoupment or reduction of government reimbursement amounts, criminal and civil penalties and exclusion from participation in Medicare, Medicaid and other government health care programs. See Item 3, "Legal Proceedings," for further information.

Changes in reporting of Average Wholesale Price ("AWP"), Average Manufacturer Price ("AMP"), or Average Sales Price, which are pricing elements common to most payment formulas, or other adjustments that may be made regarding the reimbursement of drug payments by Medicaid and Medicare could impact our pricing to customers and other payors and/or could impact our ability to negotiate discounts or rebates with manufacturers, wholesalers, PBMs or retail and mail pharmacies. In some circumstances, such changes could also impact the reimbursement that we receive from Medicare or Medicaid programs for drugs covered by such programs and from MCOs that contract with government health programs to provide prescription drug benefits.

Reimportation - The MMA amended the Food, Drug and Cosmetic Act by providing that the FDA should promulgate rules that would permit pharmacists and wholesalers to import prescription drugs from Canada into the United States under certain circumstances. However, the promulgation of such rules is subject to a precondition that the FDA certify to Congress that such reimportation would not pose any additional risk to the public's health and safety and that it would result in a significant cost reduction. To date, the FDA has not provided such a certification. The FDA continues to strongly oppose efforts

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to allow the widespread importation of drugs from Canada and elsewhere, citing concerns that such activities undermine the FDA's ability to oversee the quality and safety of the nation's drug supply. If the FDA changes its position and permits the broader importation of drugs from Canada in the future, or if new or pending health legislation or regulations permit the importation of drugs from the European Union or other countries in the future, our pharmacy services could be impacted.

Retail Clinics - States regulate retail clinics operated by nurse practitioners or physician assistants through physician oversight, lab licensing and the prohibition of the corporate practice of medicine. A number of states have implemented or proposed laws or regulations that impact certain components of retail clinic operations such as physician oversight, signage, third party contracting requirements, bathroom facilities, and scope of services. These laws and regulations may affect the operation and expansion of our owned and managed retail clinics.

Safety Regulations - The Occupational Safety and Health Act of 1970, as amended ("OSHA"), establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated under OSHA, and various record keeping, reporting and procedural requirements. Many of these OSHA standards, as well as various state and local laws and regulations pertaining to employee safety and health, including some that apply specifically to healthcare employees, apply to our operations. Any failure to comply with these regulations could result in fines or other sanctions by government authorities.

Self-Referral Laws - The federal law commonly known as the "Stark Law" prohibits a physician from referring Medicare or Medicaid beneficiaries for "designated health services" (which include, among other things, outpatient prescription drugs, home health services and durable medical equipment and supplies) to an entity with which the physician or an immediate family member of the physician has a "financial relationship" and prohibits the entity receiving a prohibited referral from presenting a claim to Medicare or Medicaid for the designated health service furnished under the prohibited referral. State statutes and regulations also prohibit payments for the referral of individuals by physicians to health care providers with whom the physicians have a financial relationship. Some of these state statutes and regulations apply to services reimbursed by governmental as well as private payors.

Violation of these laws may result in prohibition of payment for services rendered, loss of pharmacy or health care provider licenses, fines and criminal penalties. The laws and exceptions or safe harbors may vary from the federal Stark Law and vary significantly from state to state. The laws are often vague, and, in many cases, have not been interpreted by courts or regulatory agencies.

State Insurance Laws - PDPs and our PBM service contracts, including those in which we assume certain risk under performance guarantees or similar arrangements, are generally not subject to insurance regulation by the states. However, if a PBM offers to provide prescription drug coverage on a capitated basis or otherwise accepts material financial risk in providing pharmacy benefits, laws and regulations in various states may be applicable. Such laws may require that the party at risk become licensed as an insurer, establish reserves or otherwise demonstrate financial viability. Laws that may apply in such cases include insurance laws and laws governing MCOs and limited prepaid health service plans. The Company offers a PDP through SilverScript, which is subject to state insurance laws regarding licensure and solvency.

Some states have laws that prohibit submitting a false claim or making a false record or statement in order to secure reimbursement from an insurance company. These state laws vary, and violation of them may lead to the imposition of civil or criminal penalties. Additionally, several states have passed legislation governing the prompt payment of claims that requires, among other things, that health plans and payors pay claims within certain prescribed time periods or pay specified interest penalties. These laws vary from state to state in regard to scope, requirements and application, and it is not clear the extent to which they may apply to our clients or to us. Certain health plans and payors may be exempt from such laws on the basis of ERISA preemption, but the scope of ERISA preemption is unclear.

Telemarketing and Other Outbound Contacts - Certain federal and state laws, such as the Telephone Consumer Protection Act ("TCPA"), give the FTC, Federal Communications Commission ("FCC") and state attorneys general law enforcement tools to regulate telemarketing practices and certain automated outbound contacts such as phone calls, texts or emails. These laws may, among other things, impose registration requirements, require disclosures of specific information, prohibit misrepresentations, limit when, where and how consumers may be contacted, require consumer consent prior to being contacted, require transmission of Caller ID information, prohibit certain abandoned outbound calls, prohibit unauthorized billing, set payment restrictions for the sale of certain goods and services, require the establishment of certain policies and training of personnel and require the retention of specific business records. In October 2013, new FCC rules went into effect aimed at better aligning the FCC's regulatory response under the TCPA with the FTC's response, as well as requiring written prior consent for calls using an automatic telephone dialing system (call to a mobile number) or an artificial or prerecorded

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voice (call to a residential or mobile number). The Company's use of telemarketing and other outbound contacts could be impacted by these laws and regulations.

Third Party Administration and Other State Licensure Laws - Many states have licensure or registration laws governing certain types of administrative organizations, such as preferred provider organizations, third party administrators and companies that provide utilization review services. Several states also have licensure or registration laws governing the organizations that provide or administer consumer card programs (also known as cash card or discount card programs). The scope of these laws differs significantly from state to state, and the application of such laws to our activities often is unclear.

Whistleblower Statutes - Certain federal and state laws, including the FCA, contain provisions permitting the filing of *qui tam* or "whistleblower" lawsuits alleging violations of such laws. Whistleblower provisions allow private individuals to bring lawsuits on behalf of the federal or state government alleging that the defendant has defrauded the government, and there is generally no minimum evidentiary or legal threshold required for bringing such a lawsuit. These lawsuits are typically filed under seal with the applicable federal or state enforcement authority, and such authority is required to review the allegations made and to determine whether it will intervene in the lawsuit and take the lead in the litigation. Because a *qui tam* lawsuit typically is filed under seal pending a government review of the allegations, the defendant generally may not be aware of the lawsuit until the government determines whether or not it will intervene or until the lawsuit is otherwise unsealed, a process which may take years. See Item 3, "Legal Proceedings," for further information.

Although we believe that we are in material compliance with existing laws and regulations applicable to our various business lines, we cannot give any assurances that our business, financial condition and results of operations will not be materially adversely affected, or that we will not be required to materially change our business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations, including the laws and regulations described in this Government Regulation section, as they may relate to our business, the pharmacy services, retail pharmacy or retail clinic industry or to the health care industry generally; (iii) pending or future federal or state governmental investigations of our business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against us; (v) adverse developments in any pending *qui tam* lawsuit against

us, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against us, or (vi) adverse developments in other pending or future legal proceedings against us or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

Available Information

CVS Caremark Corporation is a Delaware corporation. Our corporate office is located at One CVS Drive, Woonsocket, Rhode Island 02895, telephone (401) 765-1900. Our common stock is listed on the New York Stock Exchange under the trading symbol "CVS." General information about CVS Caremark is available through the Company's Web site at <http://info.cvshealth.com>. Our financial press releases and filings with the U.S. Securities and Exchange Commission ("SEC") are available free of charge within the Investors section of our Web site at <http://www.cvshealth.com/investors>. In addition, the SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. The address of that Web site is <http://www.sec.gov>.

Item 1A. Risk Factors

Our business is subject to various industry, economic, regulatory and other risks and uncertainties. Our business, financial condition, results of operations, cash flows and prospects could be materially adversely affected by any one or more of the following risk factors and by additional risks and uncertainties not presently known to us or that we currently deem to be immaterial:

The health of the economy in general and in the markets we serve.

Our business is affected by the economy in general, including changes in consumer purchasing power, preferences and/or spending patterns. Although an economic recovery might be underway, it is possible that a worsening of the economic environment will cause a decline in drug utilization, and dampen demand for pharmacy benefit management services as well as consumer demand for products sold in our retail stores. Further, interest rate fluctuations, changes in capital market conditions and regulatory changes may affect our ability to obtain necessary financing on acceptable terms, our ability to secure suitable store locations under acceptable terms and our ability to execute sale-leaseback transactions under acceptable terms. These circumstances could result in an adverse effect on our business and financial results.

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Efforts to reduce reimbursement levels and alter health care financing practices.

The continued efforts of health maintenance organizations, managed care organizations, PBM companies, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact our profitability. In particular, increased utilization of generic pharmaceuticals (which normally yield a higher gross profit rate than equivalent brand name drugs) has resulted in pressure to decrease reimbursement payments to retail and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate. Historically, the effect of this trend on generic profitability has been mitigated by our efforts to negotiate reduced acquisition costs of generic pharmaceuticals with manufacturers. However, in recent years, there has been significant anti-dilution within the generic manufacturing industry, and it is possible that this dynamic may enhance the ability of manufacturers to sustain or increase pricing of generic pharmaceuticals and diminish our ability to negotiate reduced acquisition costs.

In addition, during the past several years, the U.S. health care industry has been subject to an increase in governmental regulation at both the federal and state levels. Efforts to control health care costs, including prescription drug costs, are underway at the federal and state government levels. Changing political, economic and regulatory influences may significantly affect health care financing and reimbursement practices.

ACA made several significant changes to Medicaid rebates and to reimbursement. One of these changes was to revise the definition of AMP and the reimbursement formula for multi-source (i.e., generic) drugs. In addition, ACA made other changes that affect the coverage and plan designs that are or will be provided by many of our health plan clients, including the requirement for health insurers to meet a minimum medical loss ratio to avoid having to pay rebates to enrollees. These ACA changes may not affect our business directly, but they could indirectly impact our services and/or business practices.

The possibility of PBM client loss and/or the failure to win new PBM business.

Our PBM business generates net revenues primarily by contracting with clients to provide prescription drugs and related health care services to plan members. PBM client contracts often have terms of approximately three years in duration, so approximately one third of a PBM's client base typically is subject to renewal each year. In some cases, however, PBM clients may negotiate a shorter or longer contract term or may require early or periodic renegotiation of pricing prior to expiration of a contract. In addition, the reputational impact of a service-related incident could negatively affect our ability to grow and retain our client base. Further, the PBM industry has been impacted by consolidation activity that may continue in the future. In the event one or more of our PBM clients is acquired by an entity that is not also our client, we may be unable to retain all or a portion of the acquired business. These circumstances, either individually or in the aggregate, could result in an adverse effect on our business and financial results. Therefore, we continually face challenges in competing for new PBM business and retaining or renewing our existing PBM business. There can be no assurance that we will be able to win new business or secure renewal business on terms as favorable to us as the present terms.

Risks related to the frequency and rate of the introduction of generic drugs and brand name prescription products.

The profitability of our business is dependent upon the utilization of prescription drug products. Utilization trends are affected by, among other factors, the introduction of new and successful prescription pharmaceuticals as well as lower-priced generic alternatives to existing brand name products. Accordingly, our business could be impacted by a slowdown in the introduction of new and successful prescription pharmaceuticals and/or generic alternatives (the sale of which normally yield higher gross profit margins than brand name equivalents).

Risks relating to the market availability, suppliers and safety profiles of prescription drugs that we purchase and sell.

We dispense significant volumes of brand-name and generic drugs from our retail and mail-order pharmacies and through our PBM's network of retail pharmacies. When unforeseen safety risk profiles or manufacturing or other supply issues of specific drugs or classes of drugs occur, or drugs become subject to greater restrictions as controlled substances, physicians may cease writing prescriptions for these drugs or the utilization of these drugs may be otherwise reduced. Additionally, adverse publicity regarding drugs with higher safety risk profiles may result in reduced demand and/or recalls. On occasion, products are withdrawn by their manufacturers or transition to over-the-counter products, which can result in lower prescription utilization. In addition, future FDA rulings could restrict the supply or increase the cost of products sold to our customers. Our volumes, net revenues, profitability and cash flows may decline as a result of such regulatory rulings or market changes.

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Risks of declining gross margins in the PBM industry.

The PBM industry has been experiencing margin pressure as a result of competitive pressures and increased client demands for lower prices, enhanced service offerings and/or higher service levels. In that regard, we maintain contractual relationships with generic pharmaceutical manufacturers and brand name pharmaceutical manufacturers that provide for purchase discounts and/or rebates on drugs dispensed by pharmacies in our retail network and by our mail order pharmacies (all or a portion of which may be passed on to clients). Manufacturer rebates often depend on a PBM's ability to meet contractual market share or other requirements, including in some cases the placement of a manufacturer's products on the PBM's formularies. If we lose our relationship with one or more pharmaceutical manufacturers, or if the discounts or rebates provided by pharmaceutical manufacturers decline, our business and financial results could be adversely affected. Further, competitive pressures in the PBM industry have caused some PBM and other PBMs to share with clients a larger portion of rebates and/or discounts received from pharmaceutical manufacturers. In addition, market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread", which could negatively impact our future profitability. Further, changes in existing federal or state laws or regulations or the adoption of new laws or regulations relating to patent term extensions, purchase discount and rebate arrangements with pharmaceutical manufacturers, or to formulary management or other PBM services could also reduce the discounts or rebates we receive. Our Retail Pharmacy Segment has also been impacted by the margin pressures described above.

Regulatory and business changes relating to our participation in Medicare Part D.

Since its inception in 2006, Medicare Part D has resulted in increased utilization and decreased pharmacy gross margin rates as higher margin business, such as cash and store Medicaid enrollment, migrated to Medicare Part D coverage. Further, as a result of ACA and changes to Medicare Part D, such as the elimination in 2013 of the tax deductibility of the retiree drug subsidy payments received by sponsors of retiree drug plans, our PBM clients could decide to discontinue providing prescription drug benefits to their Medicare-eligible members. To the extent this occurs, the adverse effect of increasing customer migration into Medicare Part D may outweigh the benefits we realize from growth of our Medicare Part D business. In addition, if the cost and complexity of Medicare Part D exceed management's expectations or prevent effective program implementation or administration; if changes to the regulations regarding how drug costs are reported for Medicare Part D and retiree drug subsidy purposes are

implemented in a manner that impacts the profitability of our Medicare Part D business; if the government alters Medicare program requirements or reduces funding because of the higher-than-anticipated cost to taxpayers of Medicare Part D or for other reasons; if we fail to design and maintain programs that are attractive to Medicare participants; if CMS imposes restrictions on our Medicare Part D business as a result of audits or other regulatory actions; if we fail to successfully implement corrective action or other remedial measures sufficient to prevent or remove any applicable restrictions that may be imposed by CMS; if we fail to effectively integrate and operate the Medicare Part D businesses we have acquired; or if we are not successful in retaining enrollees, or winning contract renewals or new contracts under Medicare Part D's competitive bidding process, our Medicare Part D services and the ability to expand our Medicare Part D services could be impacted.

Possible changes in industry pricing benchmarks.

It is possible that the pharmaceutical industry or regulators may evaluate and/or develop an alternative pricing reference to replace AWP, which is the pricing reference used for many of our PBM client contracts, pharmaceutical purchase agreements, retail network contracts, specialty payor agreements and other contracts with third party payors. Future changes to the use of AWP or to other published pricing benchmarks used to establish pharmaceutical pricing, including changes in the basis for calculating reimbursement by federal and state health programs and/or other payors, could impact the reimbursement we receive from Medicare and Medicaid programs, the reimbursement we receive from PBM clients and other payors and/or our ability to negotiate rebates and/or discounts with pharmaceutical manufacturers, wholesalers, PBMs and retail pharmacies. The effect of these possible changes on our business cannot be predicted at this time.

An extremely competitive business environment.

Each of the retail pharmacy business and the pharmacy services business currently operates in a highly competitive and evolving health care environment. Our competitive success is impacted by the ability of our retail pharmacy business to establish and maintain contractual relationships with PBMs and other payors on acceptable terms and by the ability of our pharmacy services business to establish and maintain contractual relationships with network pharmacies in an environment where some PBM clients are considering adopting narrow or restricted retail pharmacy networks.

As a pharmacy retailer, we compete with other drugstore chains, supermarkets, discount retailers, independent pharmacies, membership clubs, Internet companies and retail health clinics, as well as other mail order pharmacies and PBMs. In that regard, many pharmacy benefit plans have implemented plan designs that mandate or provide incentives to fill maintenance

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medications through mail order pharmacies. To the extent this trend continues, any negative impact in our retail pharmacy could out-weigh an increase in our own mail order business and/or an increase in participation in our Maintenance Choice program. In addition, some of these competitors may offer services and pricing terms that we may not be willing or able to offer. Competition may also come from other sources in the future.

Competitors in the PBM industry (e.g., Express Scripts, OptumRx, Catamaran and Prime Therapeutics), include large, national PBM companies, PBMs owned by large national health plans and smaller standalone PBMs. Some of these competitors may offer services and pricing terms that we may not be willing or able to offer. In addition, competition may also come from other sources in the future. Unless we can demonstrate enhanced value to our clients through innovative product and service offerings, particularly in a rapidly changing industry, we may be unable to remain competitive. In addition, changes in the overall composition of our pharmacy networks, or reduced pharmacy access under our networks, could adversely affect our claims volume and/or our competitiveness generally.

Relationship with our retail customers and the demand for our products and services

The success of our retail business depends in part on customer loyalty, superior customer service and our ability to persuade customers to purchase products in additional categories and our proprietary brands. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, an inability to expand the products being purchased by our customers, or the failure or inability to obtain or offer particular categories of products could negatively affect our relationship with our customers and the demand for our products and services.

Reform of the U.S. health care system.

Congressional efforts to reform the U.S. health care system finally came to fruition in 2010 with the passage of ACA, which is resulting in significant structural changes to the health insurance system. See "Business - Government Regulation".

Many of the structural changes enacted by ACA are being implemented in 2014, and some of the applicable regulations and sub-regulatory guidance have not yet been issued and/or finalized. Therefore, there remains considerable uncertainty as to the full impact of ACA on our business. While these reforms may not affect our business directly, they affect the coverage and plan designs that are or will be provided by many of our health plan clients. As a result, they could indirectly impact many of our services and business practices. We cannot predict what effect, if any, the ACA changes may have on our retail pharmacy and pharmacy services businesses, and it is possible that other legislative or market-driven changes in the health care system that we cannot anticipate could also occur.

The failure or disruption of our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.

Many aspects of our operations are dependent on our information systems and the information collected, processed, stored, and handled by these systems. Throughout our operations, we receive, retain and transmit certain confidential information, including personally identifiable information that our customers and clients provide to purchase products or services, enroll in programs or services, register on our websites, interact with our personnel, or otherwise communicate with us. In addition, for these operations, we depend in part on the secure transmission of confidential information over public networks. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches including credit card information breaches, vandalism, catastrophic events and human error. Although we deploy a layered approach to address information security threats and vulnerabilities, including ones from a cybersecurity standpoint, designed to protect confidential information against data security breaches, a compromise of our information security controls or of those businesses with whom we interact, which results in confidential information being accessed, obtained, damaged, or used by unauthorized or improper persons, could harm our reputation and expose us to regulatory actions and claims from customers and clients, financial institutions, payment card associations and other persons, any of which could adversely affect our business, financial position, and results of operations. Moreover, a data security breach could require that we expend significant resources related to our information systems and infrastructure, and could distract management and other key personnel from performing their primary operational duties. If our information systems are damaged, fail to work properly or otherwise become unavailable, or if we are unable to successfully complete our planned consolidation of our PBM claims adjudication platforms, we may incur substantial costs to repair or replace them, and may experience loss of critical information, customer disruption and interruptions or delays in our ability to perform essential functions and implement new and innovative services. In addition, compliance with changes in privacy and information security laws and standards may result in considerable expense due to increased investment in technology and the development of new operational processes.

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Risks related to compliance with a broad and complex regulatory framework.

Our business is subject to numerous federal, state and local laws and regulations. See "Business — Government Regulation." Changes in these regulations may require extensive system and operating changes that may be difficult to implement. Untimely compliance or noncompliance with applicable laws and regulations could adversely affect the continued operation of our business, including, but not limited to: imposition of civil or criminal penalties; suspension or disgorgement of payments from government programs; loss of required government certifications or approvals; loss of authorizations to participate in or exclusion from government reimbursement programs, such as the Medicare and Medicaid programs; or loss of registrations or licensure. The regulations to which we are subject include, but are not limited to: the laws and regulations described in the Government Regulation section; accounting standards; securities laws and regulations; tax laws and regulations; laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous materials and wastes; and regulations of the FDA, the FTC, the FCC, the DEA, and the Consumer Product Safety Commission, as well as state regulatory authorities, governing the sale, advertisement and promotion of products that we sell. In addition, our business interests outside of the United States are subject to the Foreign Corrupt Practices Act and other applicable domestic and international laws and regulations. We are also subject to the terms of various government agreements and mandates, including those described in the Government Regulation section. In that regard, our business, financial position and results of operations could be affected by existing and new government legislative and regulatory action, including, without limitation, any one or more of the following:

- federal and state laws and regulations governing the purchase, distribution, tracking, management, dispensing and reimbursement of prescription drugs and related services, whether at retail or mail, and applicable registration or licensing requirements;
- the effect of the expiration of patents covering brand name drugs and the introduction of generic products;
- the frequency and rate of approvals by the FDA of new brand name and generic drugs, or of over-the-counter status for brand name drugs;
- FDA regulation affecting the retail or PBM industry;
- consumer protection laws affecting our health care services, our loyalty programs, the products we sell, the informational calls we make and/or the marketing of our goods and services;
- rules and regulations issued pursuant to HIPAA and the HITECH Act; and other federal and state laws affecting the collection, use, disclosure and transmission of health or other personal information, such as federal laws on information privacy precipitated by concerns about information collection through the Internet, state security breach laws and state laws limiting the use and disclosure of prescriber information;
- administration of Medicare Part D, including legislative changes and/or CMS rulemaking and interpretation;

- government regulation of the development, administration, review and updating of formularies and drug lists;
 - state laws and regulations establishing or changing prompt payment requirements for payments to retail pharmacies;
 - impact of network access legislation or regulations;
 - health care reform, managed care reform and plan design legislation;
 - federal, state and local waste management laws and regulations applicable to our business, including the management of pharmaceutical wastes and photo processing solutions, as well as the storage and transportation of hazardous materials;
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- Risks related to litigation and other legal proceedings.*
- Pharmacy services and retail pharmacy are highly regulated and litigious industries. We are currently subject to various litigation matters, investigations, audits, government inquiries, regulatory and legal proceedings. Litigation, and particularly securities and collective or class action litigation, is often expensive and disruptive. We cannot predict the outcome of such matters, and the costs incurred may be substantial regardless of outcome. Our business, financial condition and results of operations may be adversely affected, or we may be required to materially change our business practices, as a result of such proceedings. We refer you to Item 3, "Legal Proceedings" for additional information.
- The foregoing is not a comprehensive listing of all possible risks and there can be no assurance that we have correctly identified and appropriately assessed all factors affecting the business. As such, we refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes insurance licensing and other insurance regulatory requirements applicable to offering Medicare Part D programs and services or other health care services; and our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section of our Annual Report to Stockholders for the year ended December 31,

2013, which section is incorporated by reference.

Item 1B. Unresolved Staff Comments

There are no unresolved SEC Staff Comments.

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Item 2. Properties

We lease most of our stores under long-term leases that vary as to rental amounts, expiration dates, renewal options and other rental provisions. For additional information on the amount of our rental obligations for our leases, we refer you to Note 7 "Leases" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

As of December 31, 2013, we owned approximately 5.9% of our 7,660 retail stores. Net selling space for our retail drugstores increased to 75.0 million square feet as of December 31, 2013. More than one third of our store base was opened or significantly remodeled within the last five years.

We own ten distribution centers located in Alabama, California, Hawaii, New York, Rhode Island, South Carolina, Tennessee and Texas and lease ten additional distribution facilities located in Arizona, Florida, Indiana, Michigan, New Jersey, Pennsylvania, Texas, Virginia and Brazil. The 20 distribution centers total approximately 11.5 million square feet as of December 31, 2013.

As of December 31, 2013, we owned one mail service dispensing pharmacy located in Texas and leased three additional mail service dispensing pharmacies located in Hawaii, Illinois and Pennsylvania. We leased call centers located in Missouri, Pennsylvania, Tennessee and Texas. As of December 31, 2013, we leased 17 onsite pharmacy stores and 25 specialty pharmacy stores, and operated 11 specialty mail order pharmacies, one of which we owned.

We own our corporate offices located in Woonsocket, Rhode Island, which totals approximately 1,000,000 square feet. In addition, we lease large corporate offices in Scottsdale, Arizona, Northbrook, Illinois, Irving, Texas and Sao Paulo, Brazil.

In connection with certain business dispositions completed between 1991 and 1997, we continue to guarantee lease obligations for approximately 73 former stores. We are indemnified for these guarantee obligations by the respective purchasers. These guarantees generally remain in effect for the initial lease term and any extension thereof pursuant to a renewal option provided for in the lease prior to the time of the disposition. For additional information, we refer you to Note 12 "Commitments and Contingencies" in our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Management believes that its owned and leased facilities are suitable and adequate to meet the Company's anticipated needs. At the end of the existing lease terms, management believes the leases can be renewed or replaced by alternate space.

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The following is a breakdown by state, District of Columbia, Puerto Rico and Brazil of our retail stores, onsite pharmacy stores, specialty pharmacy stores, specialty mail order pharmacies and mail service dispensing pharmacies as of December 31, 2013:

| | Retail Stores | Onsite Pharmacy Stores | Specialty Pharmacy Stores | Specialty Mail Order Pharmacies | Mail Service Dispensing Pharmacies | Total |
|----------------|---------------|------------------------|---------------------------|---------------------------------|------------------------------------|-------|
| United States: | | | | | | |
| Alabama | 155 | — | 1 | — | — | 156 |

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| | | | | | | Item 3. Legal |
|----------------------|-------|----|----|----|---|------------------|
| Arkansas | 1 | — | — | — | — | 1 |
| Arizona | 139 | — | 1 | — | — | 140 |
| California | 856 | — | 4 | 1 | — | 861 |
| Colorado | — | — | 1 | — | — | 1 |
| Connecticut | 149 | 1 | — | — | — | 150 |
| Delaware | 12 | — | — | — | — | 12 |
| District of Columbia | 58 | — | 1 | — | — | 59 |
| Florida | 716 | — | 1 | 1 | — | 718 |
| Georgia | 316 | 2 | 1 | — | — | 319 |
| Hawaii | 53 | — | 1 | — | 1 | 55 |
| Iowa | 17 | 1 | — | — | — | 18 |
| Illinois | 274 | 1 | 1 | 1 | 1 | 278 |
| Indiana | 297 | — | — | — | — | 297 |
| Kansas | 35 | — | — | 1 | — | 36 |
| Kentucky | 65 | — | — | — | — | 65 |
| Louisiana | 109 | — | — | — | — | 109 |
| Maine | 22 | — | — | — | — | 22 |
| Maryland | 171 | 1 | — | — | — | 172 |
| Massachusetts | 355 | — | 2 | 1 | — | 358 |
| Michigan | 248 | 1 | — | 1 | — | 250 |
| Minnesota | 57 | 1 | — | — | — | 58 |
| Mississippi | 50 | — | — | — | — | 50 |
| Missouri | 77 | 1 | 1 | — | — | 79 |
| Montana | 14 | — | — | — | — | 14 |
| Nebraska | 18 | — | — | — | — | 18 |
| Nevada | 85 | — | — | — | — | 85 |
| New Hampshire | 41 | — | — | — | — | 41 |
| New Jersey | 277 | 2 | — | 1 | — | 280 |
| New Mexico | 15 | — | — | — | — | 15 |
| New York | 471 | — | 1 | — | — | 472 |
| North Carolina | 312 | — | 1 | 1 | — | 314 |
| North Dakota | 6 | — | — | — | — | 6 |
| Ohio | 317 | 2 | — | — | — | 319 |
| Oklahoma | 53 | — | — | — | — | 53 |
| Oregon | — | — | 1 | — | — | 1 |
| Pennsylvania | 404 | 1 | 1 | 1 | 1 | 408 |
| Puerto Rico | 19 | — | — | 1 | — | 20 |
| Rhode Island | 62 | — | 1 | — | — | 63 |
| South Carolina | 194 | — | 1 | — | — | 195 |
| Tennessee | 134 | 1 | — | 1 | — | 136 |
| Texas | 588 | 1 | 3 | — | 1 | 593 |
| Utah | 2 | — | — | — | — | 2 |
| Vermont | 5 | — | — | — | — | 5 |
| Virginia | 271 | — | — | — | — | 271 |
| Washington | — | — | 1 | — | — | 1 |
| West Virginia | 50 | — | — | — | — | 50 |
| Wisconsin | 45 | 1 | — | — | — | 46 |
| Total United States | 7,615 | 17 | 25 | 11 | 4 | 7,672 |
| Brazil | 45 | — | — | — | — | 45 |
| Total | 7,660 | 17 | 25 | 11 | 4 | 7,717 |
| Proceedings | | | | | | |

I. Legal Proceedings

1. Caremark (the term "Caremark" being used herein to generally refer to any one or more PBM subsidiaries of the Company, as applicable) was a defendant in a putative class action lawsuit initially filed by a relator on behalf of various state and federal government agencies in Texas federal court in 1999. The case was unsealed in May 2005. The case sought monetary damages and alleged that Caremark's processing of Medicaid and certain other government claims on behalf of its clients (which allegedly resulted in underpayments from Caremark clients to the applicable government agencies) on one of Caremark's adjudication platforms violated applicable federal or state false claims acts and fraud statutes. The United States and the States of Texas, Tennessee, Florida, Arkansas, Louisiana and California intervened in the lawsuit, but Tennessee and Florida withdrew from the lawsuit in August 2006 and May 2007, respectively. Thereafter, in 2008, the Company prevailed on several motions for partial summary judgment and, following an appellate ruling from the Fifth Circuit Court of Appeals in 2011 that affirmed in part and reversed in part these prior rulings, the claims asserted in the case against Caremark were substantially narrowed. In December 2013, this case was dismissed following a settlement between the Company and the plaintiffs. In a related matter, in December 2007, the Company received a document subpoena from the Office of Inspector General ("OIG") within the U.S. Department of Health and Human Services ("HHS"), requesting information relating to the processing of Medicaid and other government agency claims on a different adjudication platform of Caremark. The Company has provided documents and other information in response to this request for information. The Company has been conducting discussions with the United States Department of Justice ("DOJ") and the OIG regarding a possible settlement of this legal matter.
2. Caremark was named in a putative class action lawsuit filed in October 2003 in Alabama state court by John Lauriello, purportedly on behalf of participants in the 1999 settlement of various securities class action and derivative lawsuits against Caremark and others. Other defendants include insurance companies that provided coverage to Caremark with respect to the settled lawsuits. The Lauriello lawsuit seeks approximately \$3.2 billion in compensatory damages plus other non-specified damages based on allegations that the amount of insurance coverage available for the settled lawsuits was misrepresented and suppressed. A similar lawsuit was filed in November 2003 by Frank McArthur, also in Alabama state court, naming as defendants, among others, Caremark and several insurance companies involved in the 1999 settlement. This lawsuit was stayed as a later-filed class action, but McArthur was subsequently allowed to intervene in the Lauriello action. Following the close of class discovery, the trial court entered an Order on August 15, 2012 that granted the plaintiffs' motion to certify a class pursuant to Alabama Rule of Civil Procedures 23(b)(3) but denied their request that the class also be certified pursuant to Rule 23(b)(1). In addition, the August 15, 2012 Order appointed class representatives and class counsel. The defendants' appeal and plaintiffs' cross-appeal are pending before the Alabama Supreme Court. The proceedings in the trial court are stayed by statute pending a decision on the appeal and cross-appeal by the Alabama Supreme Court.
3. Various lawsuits have been filed alleging that Caremark has violated applicable antitrust laws in establishing and maintaining retail pharmacy networks for health plans. In August 2003, Bellevue Drug Co., Robert Schreiber, Inc. d/b/a Burns Pharmacy and Rehn-Huerfanger Drug Co. d/b/a Parkway Drugs #4, together with Pharmacy Freedom Fund and the National Community Pharmacists Association filed a putative class action against Caremark in Pennsylvania federal court, seeking treble damages and injunctive relief. This case was initially sent to arbitration based on the contract terms between the pharmacies and Caremark. In October 2003, two independent pharmacies, North Jackson Pharmacy, Inc. and C&C, Inc. d/b/a Big C Discount Drugs, Inc., filed a putative class action complaint in Alabama federal court against Caremark and two PBM competitors, seeking treble damages and injunctive relief. The North Jackson Pharmacy case against two of the Caremark entities named as defendants was transferred to Illinois federal court, and the case against a separate Caremark entity was sent to arbitration based on contract terms between the pharmacies and Caremark. The Bellevue arbitration was then stayed by the parties pending developments in the North Jackson Pharmacy court case. In August 2006, the Bellevue case and the North Jackson Pharmacy case were both transferred to Pennsylvania federal court by the Judicial Panel on Multidistrict Litigation for coordinated and consolidated proceedings with other cases before the panel, including cases against other PBMs. Caremark appealed the decision which vacated an order compelling arbitration and staying the proceedings

in the Bellevue case and, following the appeal, the Court of Appeals reinstated the order compelling arbitration of the Bellevue case. Following remand, plaintiffs in the Bellevue case sought dismissal of their complaint to permit an immediate appeal of the reinstated order compelling arbitration and pursued an appeal to the Third Circuit Court of Appeals. In November 2012, the Third Circuit Court reversed the district court ruling and directed the parties to proceed in federal court. Motions for class certification in the coordinated cases within the multidistrict

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litigation, including the North Jackson Pharmacy case, remain pending, and the court has permitted certain additional class discovery and briefing. The consolidated action is now known as the In Re Pharmacy Benefit Managers Antitrust Litigation.

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investigation of possible false or otherwise improper claims for payment involving HHS programs. In February 2012, the Company also received a civil investigative demand from the Office of the Attorney General of the State of Texas requesting a copy of information produced under this OIG subpoena and other information related to prescription drug claims submitted by the Company's pharmacies to Texas Medicaid for reimbursement. The Company is providing documents and other information in response to these requests for information.

The Company is also a party to other legal proceedings, inquiries and audits arising in the normal course of its business, none of which is expected to be material to the Company. We can give no assurance, however, that our business, financial condition and results of operations will not be materially adversely affected, or that we will not be required to materially change our business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations, including the laws and regulations described in "Business — Government Regulation", as they may relate to our business, the pharmacy services, retail pharmacy or retail clinic industry or to the health care industry generally; (iii) pending or future federal or state governmental investigations of our business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against us; (v) adverse developments in any pending *qui tam* lawsuit against us, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against us; or (vi) adverse developments in other pending or future legal proceedings against us or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

II. Environmental Matters

Item 103 of SEC Regulation S-K requires disclosure of certain environmental legal proceedings if management reasonably believes that the proceedings involve potential monetary sanctions of \$100,000 or more. On January 8, 2014, a Settlement Agreement was signed with the State of New Jersey to resolve claims of alleged noncompliance with hazardous and medical waste regulations in connection with certain of the Company's facilities in New Jersey. As part of this settlement, the Company has agreed to pay \$132,000 in civil penalties to resolve these claims.

Item 4. Mine Safety Disclosures

Not applicable.

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Executive Officers of the Registrant

Executive Officers of the Registrant

The following sets forth the name, age and biographical information for each of our executive officers as of February 11, 2014. In each case the officer's term of office extends to the date of the board of directors meeting following the next annual meeting of stockholders of the Company. Previous positions and responsibilities held by each of the executive officers over the past five years are indicated below:

Lisa G. Bisaccia, age 57, Senior Vice President and Chief Human Resources Officer of CVS Caremark Corporation since January 2010; Vice President, Human Resources of CVS Pharmacy, Inc. from September 2004 through December 2009.

Eva C. Boratto, age 47, Senior Vice President and Controller and Chief Accounting Officer of CVS Caremark Corporation since July 2013; Senior Vice President of PBM Finance from July 2010 through June 2013; Vice President, U.S. Market Finance Leader of Merck & Co., Inc. ("Merck") from June 2009 through June 2010; Vice President of Investor Relations of Merck from April 2008 through May 2009.

Troyen A. Brennan, M.D., age 59, Executive Vice President and Chief Medical Officer of CVS Caremark Corporation since November 2008; Executive Vice President and Chief Medical Officer of Aetna, Inc. from February 2006 through November 2008.

David M. Denton, age 48, Executive Vice President and Chief Financial Officer of CVS Caremark Corporation since January 2010; Senior Vice President and Controller/Chief Accounting Officer of CVS Caremark Corporation from March 2008 until December 2009; Senior Vice President, Financial Administration of CVS Caremark Corporation and CVS Pharmacy, Inc. from April 2007 to March 2008.

Helena B. Foulkes, age 49, Executive Vice President of CVS Caremark Corporation and President of CVS/pharmacy since January 2014; Executive Vice President and Chief Health Care Strategy and Marketing Officer of CVS Caremark Corporation from March 2011 through December 2013; Executive Vice President and Chief Marketing Officer of CVS Caremark Corporation from January 2009 through February 2011; Senior Vice President of Health Services of CVS Caremark Corporation from May 2008 through January 2009, and of CVS Pharmacy, Inc. from October 2007 through January 2009.

Stephen J. Gold, age 54, Senior Vice President and Chief Information Officer for CVS Caremark Corporation since July 2012; Senior Vice President and Chief Information Officer of Avaya, Inc. from May 2010 through June 2012; Executive Vice President, Chief Information Officer and Chief Technology Officer of GSI Commerce, Inc. from February 2005 through April 2010.

J. David Joyner, age 49, Executive Vice President of CVS Caremark Corporation since March 2011 and Executive Vice President of Sales and Account Services, CVS Caremark Pharmacy Services since March 2010.

Per G.H. Lofberg, age 66, Executive Vice President of CVS Caremark Corporation; Executive Vice President of CVS Caremark Corporation and President of CVS Caremark Pharmacy Services from January 2010 through August 2012; President and Chief Executive Officer of Generation Health, Inc., a pharmacogenomics company, from November 2008 through December 2009.

Larry J. Merlo, age 58, President and Chief Executive Officer of CVS Caremark Corporation since March 2011; President and Chief Operating Officer of CVS Caremark Corporation from May 2010 through March 2011; President of CVS/pharmacy from January 2007 through August 2011; Executive Vice President of CVS Caremark Corporation from January 2007 through May 2010; also a director of CVS Caremark Corporation since May 2010.

Thomas M. Moriarty, age 50, Executive Vice President and General Counsel of CVS Caremark Corporation since October 2012; General Counsel of Celgene Corporation, a global biopharmaceutical company, from May 2012 through September 2012; General Counsel and Corporate Secretary of Medco Health Solutions, Inc. ("Medco"), a pharmacy benefit management company, from March 2008 through April 2012; also President of Global Pharmaceutical Strategies of Medco from March 2011 through April 2012; Senior Vice President, Pharmaceutical Strategies and Solutions of Medco from September 2007 through March 2011.

Jonathan C. Roberts, age 58, Executive Vice President of CVS Caremark Corporation and President of CVS Caremark Pharmacy Services since September 2012; Executive Vice President of CVS Caremark Corporation and Chief Operating

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Officer of CVS Caremark Pharmacy Services from October 2010 through August 2011; Executive Vice President, Rx Purchasing, Pricing and Network Relations of CVS Caremark Corporation from January 2009 through October 2010; Senior Vice President and Chief Information Officer of CVS Caremark Corporation from May 2008 until January 2009, and of CVS Pharmacy, Inc. from January 2006 until January 2009.

Andrew J. Sussman, M.D., age 48, Senior Vice President and Associate Chief Medical Officer of CVS Caremark Corporation since March 2011 and President of MinuteClinic, L.L.C., the Company's retail-based health clinic subsidiary, since September 2009; Executive Vice President and Chief Operating Officer of the University of Massachusetts Memorial Medical Center, the major teaching affiliate of UMass Medical School, from May 2004 through August 2009.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange under the symbol "CVS." The table below sets forth the high and low sale prices of our common stock on the New York Stock Exchange Composite Tape and the quarterly cash dividends declared per share of common stock during the periods indicated.

| | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|------|---------------------------------|---------------|----------------|---------------|----------------|------------|
| 2013 | High | \$ 56.07 | \$ 60.70 | \$ 62.36 | \$ 71.99 | \$ 71.99 |
| | Low | \$ 49.00 | \$ 53.94 | \$ 56.68 | \$ 56.32 | \$ 49.00 |
| | Cash dividends per common share | \$ 0.22500 | \$ 0.22500 | \$ 0.22500 | \$ 0.22500 | \$ 0.90000 |
| 2012 | High | \$ 45.38 | \$ 46.93 | \$ 48.69 | \$ 49.80 | \$ 49.80 |
| | Low | \$ 41.01 | \$ 43.08 | \$ 43.65 | \$ 44.33 | \$ 41.01 |
| | Cash dividends per common share | \$ 0.16250 | \$ 0.16250 | \$ 0.16250 | \$ 0.16250 | \$ 0.65000 |

CVS Caremark has paid cash dividends every quarter since becoming a public company. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Company's Board of Directors. As of February 4, 2014, there were 22,602 registered shareholders according to the records maintained by our transfer agent.

On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program", and together with the 2013 Repurchase Program, "the Repurchase Programs"). The Repurchase Programs, which were effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The Repurchase Programs may be modified or terminated by the Board of Directors at any time.

Pursuant to the authorization under the 2012 Repurchase Program, effective October 1, 2013, we entered into a \$1.7 billion fixed dollar accelerated share repurchase ("ASR") agreement with Barclays Bank PLC ("Barclays"). Upon payment of the \$1.7 billion purchase price on October 1, 2013, we received a number of shares of our common stock equal to 50% of the \$1.7 billion notional amount of the ASR agreement or approximately 14.9 million shares at a price of \$56.88 per share. The Company received approximately 11.7 million shares of common stock on December 30, 2013 at an average price of \$63.83 per share, representing the remaining 50% of the \$1.7 billion notional amount of the ASR agreement and thereby concluding the agreement. The total of 26.6 million shares of common stock delivered to the Company by Barclays over the term of the October 2013 ASR agreement were placed into treasury stock.

During the year ended December 31, 2013, the Company repurchased an aggregate of 66.2 million shares of common stock for approximately \$4.0 billion under the 2012 Repurchase Program. As of December 31, 2013, there remained an aggregate of approximately \$6.7 billion available for future repurchases under the Repurchase Programs.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs | 28 |
|--|----------------------------------|------------------------------|--|--|----|
| October 1, 2013 through October 31, 2013 | 14,866,352 | \$ 56.88 | 14,866,352 | \$ 692,873,727 | |
| November 1, 2013 through November 30, 2013 | — | — | — | \$ 692,873,727 | |
| December 1, 2013 through December 31, 2013 | 11,768,973 | \$ 63.83 | 11,768,973 | \$ 6,692,873,727 | |
| | 26,635,325 | | 26,635,325 | | |

Item 6. Selected Financial Data

The selected consolidated financial data of CVS Caremark Corporation as of and for the periods indicated in the five-year period ended December 31, 2013 have been derived from the consolidated financial statements of CVS Caremark Corporation. The selected consolidated financial data should be read in conjunction with the consolidated financial statements and the audit reports of Ernst & Young LLP, which are incorporated elsewhere herein.

| In millions, except per share amounts | 2013 | 2012 ⁽¹⁾ | 2011 | 2010 | 2009 |
|---|------------|---------------------|------------|-----------|-----------|
| Statement of operations data: | | | | | |
| Net revenues | \$ 126,761 | \$ 123,120 | \$ 107,080 | \$ 95,766 | \$ 98,144 |
| Gross profit | 23,783 | 22,488 | 20,562 | 20,215 | 20,348 |
| Operating expenses | 15,746 | 15,278 | 14,231 | 14,082 | 13,933 |
| Operating profit | 8,037 | 7,210 | 6,331 | 6,133 | 6,415 |
| Interest expense, net | 509 | 557 | 584 | 536 | 525 |
| Loss on early extinguishment of debt | — | 348 | — | — | — |
| Income tax provision ⁽¹⁾ | 2,928 | 2,436 | 2,258 | 2,178 | 2,196 |
| Income from continuing operations | 4,600 | 3,869 | 3,489 | 3,419 | 3,694 |
| Income (loss) from discontinued operations, net of tax ⁽²⁾ | (8) | (7) | (31) | 2 | (4) |
| Net income | 4,592 | 3,862 | 3,458 | 3,421 | 3,690 |
| Net loss attributable to noncontrolling interest ⁽³⁾ | — | 2 | 4 | 3 | — |
| Net income attributable to CVS Caremark | \$ 4,592 | \$ 3,864 | \$ 3,462 | \$ 3,424 | \$ 3,690 |
| Per common share data: | | | | | |
| Basic earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.78 | \$ 3.05 | \$ 2.61 | \$ 2.50 | \$ 2.58 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |
| Net income attributable to CVS Caremark | \$ 3.77 | \$ 3.04 | \$ 2.59 | \$ 2.50 | \$ 2.57 |
| Diluted earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.75 | \$ 3.02 | \$ 2.59 | \$ 2.49 | \$ 2.55 |
| Loss from discontinued operations attributable to | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |

| | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|--------|
| CVS Caremark | | | | | | | | |
| Net income attributable to CVS Caremark | \$ | 3,74 | \$ | 3,02 | \$ | 2,57 | \$ | 2,49 |
| Cash dividends per common share | \$ | 0,900 | \$ | 0,650 | \$ | 0,500 | \$ | 0,350 |
| Balance sheet and other data: | | | | | | | | |
| Total assets | \$ | 71,526 | \$ | 66,221 | \$ | 64,852 | \$ | 62,457 |
| Long-term debt | \$ | 12,841 | \$ | 9,133 | \$ | 9,208 | \$ | 8,652 |
| Total shareholders' equity | \$ | 37,938 | \$ | 37,653 | \$ | 38,013 | \$ | 37,661 |
| Number of stores (at end of year) | | 7,702 | | 7,508 | | 7,388 | | 7,248 |

See Note 1 - Significant Accounting Policies (Revenue Recognition - Retail Pharmacy Segment) to the consolidated financial statements.

- (1) Income tax provision includes the effect of the following: (i) in 2010, the recognition of \$47 million of previously unrecognized tax benefits, including interest relating to the expiration of various statutes of limitation and settlements with tax authorities; and (ii) in 2009, the recognition of \$167 million of previously unrecognized tax benefits, including interest, relating to the expiration of various statutes of limitation and settlements with tax authorities.
- (2) As discussed in Note 3 to the consolidated financial statements, the results of the TheraCom business are presented as discontinued operations and have been excluded from continuing operations for all periods presented. In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Lincens 'n Things which filed for bankruptcy in 2008. The Company's income (loss) from discontinued operations includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its Lincens 'n Things lease guarantees.

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Below is a summary of the results of discontinued operations:

In millions

Income from operations of TheraCom
Gain on disposal of TheraCom
Loss on disposal of Lincens 'n Things
Income tax benefit (provision)

Income (loss) from discontinued operations, net of tax

| Year Ended December 31, | | | | |
|-------------------------|--------|---------|-------|--------|
| 2013 | 2012 | 2011 | 2010 | 2009 |
| \$ — | \$ — | \$ 18 | \$ 28 | \$ 13 |
| — | — | 53 | — | — |
| (12) | (12) | (7) | (24) | (19) |
| 4 | 5 | (95) | (2) | 2 |
| \$ (8) | \$ (7) | \$ (31) | \$ 2 | \$ (4) |

- (3) Represents the minority shareholders' portion of the net loss from our then-majority owned subsidiary, Generation Health, Inc., acquired in the fourth quarter of 2009. In June 2012, the Company acquired the remaining 40% interest in Generation Health, Inc. from minority shareholders and employee option holders.
- (4) Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment. Additional details of the accounting change are discussed in Note 2 to the consolidated financial statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We refer you to "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes our "Cautionary Statement Concerning Forward-Looking Statements" at the end of such section of our Annual Report to Stockholders for the year ended December 31, 2013, which section is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As of December 31, 2013, the Company had no derivative financial instruments or derivative commodity instruments in place and believes that its exposure to market risk associated with other financial instruments, principally interest rate risk inherent in its debt portfolio, is not material.

Item 8. Financial Statements and Supplementary Data

We refer you to the "Consolidated Statements of Income," "Consolidated Statements of Comprehensive Income," "Consolidated Balance Sheets," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the fiscal year ended December 31, 2013, which sections are incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures: The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) as of December 31, 2013, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective at a reasonable assurance level and designed to ensure that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

Internal control over financial reporting: We refer you to "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" of our Annual Report to Stockholders for the fiscal year ended December 31, 2013, which are incorporated by reference herein, for Management's report on the Registrant's internal control over financial reporting and the Independent Registered Public Accounting Firm's report with respect to the effectiveness of internal control over financial reporting.

Changes in internal control over financial reporting: There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred during the fourth quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Item 9B. Other Information

No events have occurred during the fourth quarter that would require disclosure under this item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions "Committees of the Board," "Code of Conduct," "Director Nominations," "Audit Committee Report," "Biographies of our Board Nominees," and "Section 16(a) Beneficial Ownership Reporting Compliance," which sections are incorporated by reference herein. Biographical information on our executive officers is contained in Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions "Executive Compensation and Related Matters," including "Compensation Discussion & Analysis" and "Management Planning and Development Committee Report," which sections are incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the captions "Share Ownership of Directors and Certain Executive Officers," and "Share Ownership of Principal Stockholders" which sections are incorporated by reference herein, for information concerning security ownership of certain beneficial owners and management and related stockholder matters.

The following table summarizes information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2013.

| | Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾ | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) ⁽²⁾ |
|--|--|---|--|
| Equity compensation plans approved by stockholders | 34,738 | \$ 41.40 | 37,557 |
| Equity compensation plans not approved by stockholders | — | — | — |
| Total | 34,738 | \$ 41.40 | 37,557 |

(1) Shares in thousands. **Item 13. Certain Relationships and Related Transactions and Director Independence**

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the caption "Independence Determinations for Directors" and "Certain Transactions with Directors and Officers," which sections are incorporated by reference herein.

Item 14. Principal Accountant Fees and Services

We refer you to our Proxy Statement for the 2014 Annual Meeting of Stockholders under the caption "Item 2: Ratification of Appointment of Independent Registered Public Accounting Firm," which section is incorporated by reference herein.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

A. Documents filed as part of this report:

1. Financial Statements:

The following financial statements are incorporated by reference from our Annual Report to Stockholders for the fiscal year ended December 31, 2013, as provided in Item 8 hereof:

| | |
|---|----|
| Consolidated Statements of Income for the Years Ended December 31, 2013, 2012 and 2011 | 26 |
| Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011 | 27 |
| Consolidated Balance Sheets as of December 31, 2013 and 2012 | 28 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011 | 29 |
| Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2013, 2012, and 2011 | 30 |
| Notes to Consolidated Financial Statements | 31 |
| Report of Independent Registered Public Accounting Firm | 60 |

2. Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable, not required under the instructions, or the information is included in the consolidated financial statements or related notes.

B. Exhibits

Exhibits marked with an asterisk (*) are hereby incorporated by reference to exhibits or appendices previously filed by the Registrant as indicated in brackets following the description of the exhibit.

| Exhibit | Description |
|---------|---|
| 2.1* | Agreement and Plan of Merger dated as of November 1, 2006 among, the Registrant, Caremark Rx, Inc. and Twain MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement No. 333-139470 on Form S-4 filed December 19, 2006). |
| 2.2* | Amendment No. 1 dated as of January 16, 2007 to the Agreement and Plan of Merger dated as of November 1, 2006 among the Registrant, Caremark Rx, Inc. and Twain Merger Sub Corp. (incorporated by reference to Exhibit 2.2 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007). |
| 2.3* | Waiver Agreement dated as of January 16, 2007 between the Registrant and Caremark Rx, Inc. with respect to the Agreement and Plan Merger dated as of November 1, 2006 by and between Registrant and Caremark Rx, Inc (incorporated by reference to Exhibit 2.3 to the Registrant's Registration Statement No. 333-139470 on Form S-4/A filed January 16, 2007). |
| 2.4* | Amendment to Waiver Agreement, dated as of February 12, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated February 13, 2007; Commission File No. 001-01011). |
| 2.5* | Amendment to Waiver Agreement, dated as of March 8, 2007, between Registrant and Caremark Rx, Inc. (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated March 8, 2007; Commission File No. 001-01011). |
| 2.6* | Agreement and Plan of Merger dated as of August 12, 2008 among, the Registrant, Longs Drug Stores Corporation and Blue MergerSub Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 13, 2008; Commission File No. 001-01011). |
| 3.1* | Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996; Commission File No. 001-01011). |
| 3.1A* | Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective May 13, 1998 (incorporated by reference to Exhibit 4.1A to Registrant's Registration Statement No. 333-52055 on Form S-3/A dated May 18, 1998). |
| 3.1B* | Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated March 22, 2007; Commission File No. 001-01011). |
| 3.1C* | Certificate of Merger dated May 9, 2007 (incorporated by reference to Exhibit 3.1C to Registrant's Quarterly Report on Form 10-Q dated November 1, 2007; Commission File No. 001-01011). |

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- 3.1D* Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated May 13, 2010; Commission File No. 001-01011).
- 3.1E* Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report On Form 8-K dated May 10, 2012; Commission File No. 001-01011).
- 3.2* By-laws of the Registrant, as amended and restated (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 9, 2014; Commission File No. 001-01011).
- 4 Pursuant to Regulation S-K, Item 601(b)(4)(iii)(A), no instrument which defines the rights of holders of long-term debt of the Registrant and its subsidiaries is filed with this report. The Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
- 4.1* Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement of the Registrant on Form 8-B dated November 4, 1996; Commission File No. 001-01011).
- 10.1* Stock Purchase Agreement dated as of October 14, 1995 between The TJX Companies, Inc. and Melville Corporation, as amended November 17, 1995 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated December 4, 1995; Commission File No. 001-01011).
- 10.2* Stock Purchase Agreement dated as of March 25, 1996 between Melville Corporation and Consolidated Stores Corporation, as amended May 3, 1996 (incorporated by reference to Exhibits 2.1 and 2.2 to Melville's Current Report on Form 8-K dated May 5, 1996; Commission File No. 001-01011).
- 10.3* Distribution Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and Footstar Center, Inc. (incorporated by reference to Exhibit 99.1 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
- 10.4* Tax Disaffiliation Agreement dated as of September 24, 1996 among Melville Corporation, Footstar, Inc. and certain subsidiaries named therein (incorporated by reference to Exhibit 99.2 to Melville's Current Report on Form 8-K dated October 28, 1996; Commission File No. 001-01011).
- 10.5* Stockholder Agreement dated as of December 2, 1996 between the Registrant, Nashua Hollis CVS, Inc. and Linens 'n Things, Inc. (incorporated by reference to Exhibit 10(i)(6) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).
- 10.6* Tax Disaffiliation Agreement dated as of December 2, 1996 between the Registrant and Linens 'n Things, Inc. and certain of their respective affiliates (incorporated by reference to Exhibit 10(i)(7) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997; Commission File No. 001-01011).
- 10.7* Four Year Credit Agreement dated as of May 12, 2011 by and among the Registrant, the lenders party thereto, Barclays Capital and JP Morgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and the Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011, Commission File No. 001-01011).
- 10.8* Amendment No. 1, dated as of November 22, 2011, to the Credit Agreement dated as of May 12, 2011 by and among the Registrant, the Lenders party thereto, the Co-Syndication Agents and Co-Documentation Agents named therein, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.45 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011).
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- 10.9* Five Year Credit Agreement dated as of February 17, 2012, by and among the Registrant, the lenders party thereto, Barclays Capital and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2012 (Commission File No. 001-01011).
- 10.10* Credit Agreement dated as of May 23, 2013, by and among the Registrant, the lenders party thereto, Barclays Bank PLC and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of New York Mellon, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 (Commission File No. 001-01011).
- 10.11* Amendment No. 2, dated as of May 23, 2013, to the Credit Agreement dated as of May 12, 2011, by and among the Registrant, the lenders party thereto, Barclays Capital and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of America, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, and The Bank of Bank of New York Mellon, as Administrative Agent, as previously amended by Amendment No. 1, dated as of November 22, 2011 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2013 (Commission File No. 001-01011).
- 10.12* Supplemental Retirement Plan for Select Senior Management of CVS Caremark Corporation I as amended and restated in December 2008 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.13* CVS Caremark Corporation 1996 Directors Stock Plan, as amended and restated November 5, 2002 (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2002; Commission File No. 001-01011).
- 10.14* 1997 Incentive Compensation Plan as amended through December 2008 (incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.15* Caremark Rx, Inc. 2004 Incentive Stock Plan (incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement No. 333-141481 on Form S-8 filed March 22, 2007).
- 10.16* CVS Caremark Deferred Stock Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011).
- 10.17 CVS Caremark Deferred Compensation Plan, as amended and restated.
- 10.18* 2010 Incentive Compensation Plan, as amended through January 15, 2013 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission file No. 001-01011).

| | |
|--------|---|
| 10.19* | 2007 Employee Stock Purchase Plan (incorporated by reference to Exhibit D of the Registrant's Definitive Proxy Statement filed April 4, 2007; Commission File No. 001-01011). |
| 10.20 | The Registrant's 2013 Management Incentive Plan. |
| 10.21 | The Registrant's 2013 Long-Term Incentive Plan. |
| 10.22 | The Registrant's Partnership Equity Program amended as of August 2013. |
| 10.23 | The Registrant's Severance Plan for Non-Store Employees amended as of April 2013. |
| 10.24 | The Registrant's Performance-Based Restricted Stock Unit Plan amended as of April 2013. |
| 10.25 | Form of Enterprise Non-Competition, Non-Disclosure and Developments Agreement between the Registrant and certain of the Registrant's executive officers. |
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| 10.26* | Universal 409A Definition Document dated December 31, 2008 (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009; Commission File No. 001-01011). |
| 10.27 | Form of Non-Qualified Stock Option Agreement between the Registrant and selected employees of the Registrant. |
| 10.28 | Form of Restricted Stock Unit Agreement - Annual Grant - between the Registrant and selected employees of the Registrant. |
| 10.29 | Form of Performance-Based Restricted Stock Unit Agreement between the Registrant and selected employees of the Registrant. |
| 10.30 | Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Pre-Tax). |
| 10.31 | Form of Partnership Equity Program Participant Purchased RSUs, Company Matching RSUs and Company Matching Options Agreement (Post-Tax). |
| 10.32* | Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008; Commission File No. 001-01011). |
| 10.33* | Amendment dated December 21, 2012 to the Amended and Restated Employment Agreement dated as of December 22, 2008 between the Registrant and the Registrant's President and Chief Executive Officer (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011). |
| 10.34 | Form of Non-Qualified Stock Option Agreement between the Registrant and the Registrant's President and Chief Executive Officer. |
| 10.35 | Form of Restricted Stock Unit Agreement between the Registrant and the Registrant's President and Chief Executive Officer. |
| 10.36* | Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010; Commission File No. 001-01011). |
| 10.37* | Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011). |
| 10.38* | Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and President of CVS Caremark Pharmacy Services (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012; Commission File No. 001-01011). |
| 10.39* | Amendment dated as of December 31, 2012 to the Change in Control Agreement dated December 22, 2008 between the Registrant and the Registrant's Executive Vice President and President of CVS Caremark Pharmacy Services; incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (Commission File No. 001-01011). |
| 10.40* | Letter Agreement dated August 5, 2011 between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011). |
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| 10.41* | Change in Control Agreement dated September 1, 2011 between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011; Commission File No. 001-01011). |
| 10.42 | Separation Agreement between the Registrant and the Registrant's former Executive Vice President and President - CVS/pharmacy dated December 10, 2013. |
| 10.43 | Change in Control Agreement dated December 1, 2008 between the Registrant and the Registrant's Former Executive Vice President and Chief Medical Officer. |
| 13 | Portions of the 2013 Annual Report to Stockholders of CVS Caremark Corporation, which are specifically designated in this Form 10-K as being incorporated by reference. |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Ernst & Young LLP. |
| 31.1 | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from the CVS Caremark Corporation Annual Report on Form 10-K for the year ended December 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Cash Flows and (iv) related notes. |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

CVS CAREMARK CORPORATION

Date: February 10, 2014

By:

/s/ DAVID M. DENTON

David M. Denton
Executive Vice President and Chief Financial Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title(s) | Date |
|--|---|-------------------|
| /s/ C. DAVID BROWN II C. David Brown II | Director | February 10, 2014 |
| /s/ EVA C. BORATTO Eva C. Boratto | Senior Vice President — Finance and Controller (Principal Accounting Officer) | February 10, 2014 |
| /s/ DAVID M. DENTON David M. Denton | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | February 10, 2014 |
| /s/ NANCY-ANN M. DEPARLE Nancy-Ann M. DeParle | Director | February 10, 2014 |
| /s/ DAVID W. DORMAN David W. Dorman | Chairman of the Board and Director | February 10, 2014 |
| /s/ ANNE M. FINUCANE Anne M. Finucane | Director | February 10, 2014 |
| /s/ LARRY J. MERLO Larry J. Merlo | President and Chief Executive Officer (Principal Executive Officer) and Director | February 10, 2014 |
| /s/ JEAN-PIERRE MILLON Jean-Pierre Millon | Director | February 10, 2014 |
| /s/ RICHARD J. SWIFT Richard J. Swift | Director | February 10, 2014 |
| /s/ WILLIAM C. WELDON William C. Weldon | Director | February 10, 2014 |
| /s/ TONY L. WHITE Tony L. White | Director | February 10, 2014 |

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CVS CAREMARK CORPORATION

Deferred Compensation Plan

9376690

as amended and restated as of December 31, 2008

**CVS CAREMARK CORPORATION
DEFERRED COMPENSATION PLAN**

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ARTICLE I – INTRODUCTION

1.01 Name of Plan

CVS Caremark Corporation (the "Corporation") hereby adopts the CVS Caremark Deferred Compensation Plan (the "Plan") as amended and restated as of December 31, 2008.

1.02 Purpose of Plan

The purpose of the Plan is to provide certain eligible employees of the Corporation or an Affiliate authorized to participate in the Plan the opportunity to defer elements of their compensation which might not otherwise be deferrable under other plans maintained by the Corporation or an Affiliate and to receive the benefit of additions to their deferral comparable to those obtainable under the 401(k) and Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies ("Future Fund") in the absence of certain restrictions and limitations in the Internal Revenue Code.

1.03 "Top Hat" Pension Benefit Plan

The Plan is an "employee pension benefit plan" within the meaning of ERISA. However, the Plan is unfunded and maintained for a select group of management or highly compensated employees and, therefore, it is intended that the Plan will be exempt from Parts 2, 3 and 4 of Title I of ERISA. The Plan is not intended to qualify under Code Section 401(a).

1.04 Funding

The Plan is unfunded. All benefits will be paid from the general assets of the Corporation. Participants in the Plan shall have the status of general unsecured creditors of the Corporation.

1.05 Effective Date

The Plan is effective as of January 1, 1997, and as amended and restated in its entirety effective as of December 31, 2008, to comply with the provisions of Section 409A of the Internal Revenue Code and regulations promulgated thereunder and to reflect certain design and administrative changes desired by the Corporation.

1.06 Administration

The Plan shall be administered by the Plan Committee, as defined in Article VII.

1.07 Number and Gender

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Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender. The feminine gender, where appearing in the Plan, shall be deemed to include the masculine gender.

1.08 Headings

The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

ARTICLE II – DEFINITIONS

For purposes of the Plan, the following words and phrases shall have the meanings set forth below, unless their context clearly requires a different meaning:

- 2.01 *Account* means the Company Account, Deferral Account, Grandfathered Company Account, and the Grandfathered Deferral Account maintained by the Corporation on behalf of each Participant pursuant to this Plan.
- 2.02 *Affiliate* means any entity, that together with the Corporation, would be treated as a single employer under Section 414(b) or (c) of the Code.
- 2.03 *Annual Cash Incentive* means the amount awarded to a Participant in cash for a Plan Year under a regular (annual or quarterly) incentive plan (other than an exceptional performance award program or a one-time incentive plan or program) maintained by the Corporation or an Affiliate, and any other amount otherwise included in Annual Cash Incentive for purposes of the Plan under rules as are adopted by the Committee.
- 2.04 *Annual Cash Incentive Deferral* means the amount of a Participant's Annual Cash Incentive which a Participant elects to have withheld on a pretax basis from his Annual Cash Incentive and credited to his Deferral Account pursuant to this Plan.
- 2.05 *Base Salary* means the base rate of cash compensation paid by the Corporation or an Affiliate to or for the benefit of a Participant for services rendered or labor performed while a Participant, including base pay a Participant could have received in cash in lieu of:
 - (a) deferrals pursuant to this Plan; and
 - (b) any pre-tax contribution made on the Participant's behalf to any qualified plan maintained by the Corporation or an Affiliate pursuant to a cash or deferred arrangement maintained by the Corporation or an Affiliate (as defined under Section 401(k) of the Code) or under any cafeteria plan (as defined under Section 125 of the Code) or under a qualified transportation fringe (as defined under Section 132(f) of the Code).

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Base Salary shall exclude any overtime, premium pay, shift differentials, bonuses, commissions or any other form of supplemental cash compensation, except to the extent otherwise deemed "Base Salary" for purposes of the Plan under rules as are adopted by the Committee.

- 2.06 *Base Salary Deferral* means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pretax basis from his Base Salary and credited to his Deferral Account pursuant to this Plan.
- 2.07 *Beneficiary* means the person or persons designated by the Participant in accordance with the provisions of Section 6.08 to receive the amounts, if any, payable under the Plan upon the death of the Participant.
- 2.08 *Board* means the Board of Directors of the Corporation. 2.09 *Change in Control* means "Change in Control" as such term is defined in the Universal 409A Definition Document.
- 2.10 *Code* means the Internal Revenue Code of 1986, as amended.
- 2.11 *Commissions* mean the amount of a Participant's sales commissions or other commissions payable under a sales commissions or other commissions plan maintained by the Corporation or an Affiliate. (Sales commissions for purposes of the Plan shall mean sales commissions (as defined in Treas. Reg. Section 1.409A-2(a)(12)(i) and any subsequent guidance) and such sales commissions are considered to be earned in the taxable year of the Participant in which the sale occurs.)
- 2.12 *Commissions Deferral* means the amount of a Participant's Commissions which a Participant elects to have withheld on a pre-tax basis from his Commissions and credited to his Deferral Account pursuant to this Plan.
- 2.13 *Committee* means the Management Planning and Development Committee of the Board.
- 2.14 *Company Account* means the bookkeeping account (or subaccount(s) thereof) maintained for each Participant to record the amounts of Company Contributions that are either (i) credited on his behalf under Section 4.04 on or after January 1, 2005 or (ii) were credited on his behalf under Section 4.04

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prior to January 1, 2005, but become vested on or after January 1, 2005, as adjusted pursuant to Section 5.06.

- 2.15 *Company Contribution* means the amount, as determined by the Company on an annual basis based on the provisions of this Plan, which is credited on the Participant's behalf by the Company to his Company Account pursuant to the provisions of Section 4.04(a) of the Plan.
- 2.16 *Corporation* means CVS Caremark Corporation. References in the Plan to CVS Caremark Corporation shall be deemed to include successors to CVS Caremark Corporation.
- 2.17 *CVS Caremark Retention Payment* means the amount granted to an Eligible Executive, as defined in and provided for under the provisions of the employment term sheet agreement entered into between the Corporation or an Affiliate and said eligible executive, as a former employee of Caremark Rx, Inc., in connection with the merger involving Caremark, Rx, Inc. and the Corporation.
- 2.18 *Deferrals* mean the amount of deferrals credited to a Participant pursuant to Section 4.01.
- 2.19 *Deferral Account* means the bookkeeping account (or subaccount(s) thereof) maintained for each Participant to record (i) the amount of Base Salary, CVS Caremark Retention Payment and/or Annual Cash Incentive or Commissions the Participant defers pursuant to Section 4.01 or (ii) the amount of LTIP deferrals the Participant elects to defer pursuant to Section 4.04(b), on or after January 1, 2005, as adjusted pursuant to Section 5.06.
- 2.20 *Deferred Compensation Election* means the written election including any amendments, attachments and appendices thereto as prescribed by the Plan Committee, regardless of how it may be titled, under which the Participant agrees to defer a portion of his Base Salary and/or Annual Cash Incentive or Commissions under the Plan (or any other cash remuneration payable to a Participant that he may elect to defer under the provisions of this Plan, including but not limited to LTIP cash awards). This election is made by the Participant and

constitutes the agreement entered into between the Corporation and a Participant for participation in the Plan. The Participants elect the terms of their deferral pursuant to the provisions of this Plan and the administrative procedures established by the Plan Committee.

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- 2.21 *Effective Date* means January 1, 1997.
- 2.22 *Elective Deferrals* means Elective Deferrals as defined in Section 3.02 of Future Fund.
- 2.23 *Eligible Executive* means an Executive who is eligible to participate in the Plan as provided in Section 3.01(a).
- 2.24 *Employee* means any common-law employee of the Corporation or an Affiliate which has been authorized by the Committee to participate in the Plan.
- 2.25 *ERISA* means the Employee Retirement Income Security Act of 1974, as amended.
- 2.26 *Executive* means an Employee whose Base Salary (determined on the basis of a maximum 40- hour work week) equals or exceeds \$150,000 (as adjusted from time to time by the Committee).
- 2.27 *Future Fund* means the 401(k) Plan and the Employee Stock Ownership Plan of CVS Caremark Corporation and Affiliated Companies.
- 2.28 *Grandfathered Company Account* means the bookkeeping account (or subaccount(s)) maintained for each Participant to record the amount of Company Contributions credited on a Participant's behalf under Section 4.04 prior to January 1, 2005, which were vested as of December 31, 2004, adjusted as provided in Section 5.06.
- 2.29 *Grandfathered Deferral Account* means the bookkeeping account (or subaccount(s)) maintained for each Participant to record (i) the amount of Base Salary and/or Annual Cash Incentive or Commissions deferred in accordance with Section 4.01 or (ii) the amount of LTIP deferrals deferred in accordance with Section 4.04, prior to January 1, 2005, adjusted pursuant to Section 5.06.
- 2.30 *Lost Matching Contributions* means the amounts credited on a Participant's behalf to his Company Account pursuant to the provisions of Section 4.04(a).
- 2.31 *Participant* means each Eligible Executive participating in the Plan pursuant to Article III who is credited with an amount under Article IV.
- 2.32 *Plan* means the CVS Caremark Deferred Compensation Plan, as amended from time to time.
- 2.33 *Plan Committee* means the administrative committee appointed pursuant to Section 7.01 to administer the Plan.
- 2.34 *Plan Year* means each calendar year ending on December 31.
- 2.35 *Qualified Future Fund Matching Contribution* means the total of all matching contributions made (or that would have been made) by the Corporation or an Affiliate with respect to a Plan Year for the benefit of a Participant under and in accordance with the terms of the Future Fund.
- 2.36 *Retirement* means Termination of Employment with the Corporation and all Affiliates on or after (i) age 55 and the completion of ten or more Years of Service or, if earlier, (ii) age 60 and the completion of five or more Years of Service.
- 2.37 *Specified Employee* means "Specified Employee" as such term is defined in the Universal 409A Definition Document.
- 2.38 *Specific Future Year* means a calendar year in the future voluntarily elected by a Participant to begin distribution of Accounts (or subaccount(s) thereof) pursuant to this Plan.
- 2.39 *Termination of Employment* means "termination of employment" as such term is defined in the Universal 409A Definition Document.
- 2.40 *Valuation Date* means each business day on which the New York Stock Exchange is open for business, or such other day as the Plan Committee may determine.
- 2.41 *Years of Service* means Vesting Service as defined in the Future Fund.

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ARTICLE III – ELIGIBILITY AND PARTICIPATION

3.01 Eligibility

- (a) An Employee who is an Eligible Executive on October 1st of a calendar year (or such other date in the calendar year as designated by the Plan Committee) shall be an Eligible Executive with respect to the Plan Year following such calendar year and thereby eligible to participate in this Plan and execute a Deferred Compensation Election authorizing Deferrals under the Plan with respect to a particular Plan Year. The Committee or the Plan Committee, may, in its sole discretion, designate other key employees of the Corporation or an Affiliate which has been authorized by the Committee to participate in the Plan who are members of a select group of management or highly compensated employees as eligible to participate in the Plan.
- (b) Notwithstanding any Plan provision to the contrary, Employees must also be subject to the income tax laws of the United States in order to be eligible for participation in the Plan.
- (c) Subject to the provisions of Section 3.03 below and Section 4.01, an Eligible Executive shall remain eligible to continue participation in the Plan for each Plan Year following his initial year of participation in the Plan.

3.02 Commencement of Participation

An Eligible Executive shall become a Participant effective as of the date the Plan Committee grants eligibility and that Eligible Executive's first Deferred Compensation Election becomes effective.

As a condition for participation in the Plan, a Participant may also be required by the Plan Committee to provide such other information as the Plan Committee may deem necessary to properly administer the Plan.

3.03 Termination of Participation

- (a) Participation shall cease when all benefits to which a Participant is entitled to hereunder are distributed to him.
- (b) Subject to the provisions of Section 4.03, a Participant shall only be eligible to have Deferrals credited on his behalf in accordance with Article IV for as long as he remains an Eligible Executive.

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- (c) If a former Participant who has incurred a Termination of Employment with the Corporation and all Affiliates and whose participation in the Plan ceased under Section 3.03 (a) is reemployed as an Eligible Executive, the former Participant may again become a Participant in accordance with the provisions of Section 3.01.

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ARTICLE IV – DEFERRALS & COMPANY CONTRIBUTIONS

4.01 Deferral Amounts

- (a) Subject to the following provisions of this Article IV, an Eligible Executive may defer for any Plan Year, (i) up to 50% of Base Salary otherwise earned and payable in that Plan Year, and/or (ii) up to 100% of Annual Cash Incentive otherwise earned in that Plan Year and payable in that Plan Year or in the first calendar quarter of the following Plan Year or (iii) up to 100% of Commissions otherwise earned in that Plan Year and payable in that Plan Year or in the first calendar quarter of the following Plan Year. The Plan Committee may, as it deems appropriate, establish maximum or minimum limits on the amounts which may be deferred for a Plan Year and/or the times of such Deferred Compensation Elections. An Eligible Executive shall be given advance notice of any such limits.
- (b) Deferrals shall be calculated with respect to the gross cash compensation payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Plan Committee as necessary so that Deferrals do not exceed 100% of the cash compensation of the Participant remaining after deduction of all required income and employment taxes, 401(k) and other employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

4.02 Filing Requirements of Deferred Compensation Elections

Subject to the following provisions of this Section, prior to the close of an annual enrollment period established by the Plan Committee in any Plan Year, an Eligible Executive described in Section 3.01 may elect, subject to Section 4.01 above, to defer a portion of his Base Salary that is otherwise earned and payable in the next Plan Year and/or all or a portion of his Annual Cash Incentive or Commissions otherwise earned in the next Plan Year and payable in that Plan Year or in the first calendar quarter of the subsequent Plan Year by filing a Deferred Compensation Election with the Plan Committee. If an Executive becomes an Eligible Executive after October 1 (or such later date as prescribed by the Plan Committee) in any calendar year, he may not make a Deferred Compensation Election for Base Salary, Annual Cash Incentive or Commissions earned in the next Plan Year.

A Participant shall submit a Deferred Compensation Election in the manner specified by the Plan Committee and a Deferred Compensation Election that is not timely filed shall be considered void and have no effect. If a Participant does not file a Deferred Compensation Election applicable to his

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Base Salary, Annual Cash Incentive or Commissions earned in a Plan Year on or before the close of the applicable annual enrollment period (or such later date prescribed by the Plan Committee), the Participant shall be deemed to have elected not to make a Deferred Compensation Election for such Plan Year. The Plan Committee shall establish procedures that govern deferral elections under the Plan, including the ability to make separate elections for Base Salary, Annual Cash Incentive or Commissions, and any other cash remuneration payable to the Participant that the Committee or Plan Committee permits a Participant to defer under this Plan.

Subject to the provisions of this Article, an Eligible Executive must file a new Deferred Compensation Election for each Plan Year that the Eligible Executive is eligible to participate in the Plan.

4.03 Modification or Revocation of Election by Participant

- (a) A Participant's Deferred Compensation Election for a Plan Year shall become irrevocable as of the close of business on the date established by the Plan Committee, but not later than the last day of the calendar year preceding the Plan Year in which such Base Salary, Annual Cash Incentive or Commissions applicable to that election is earned. Such Deferred Compensation Election shall become effective as of the first day of the Plan Year in which such Base Salary and/or Annual Cash Incentive or Commissions is earned.
- Notwithstanding the foregoing, the Plan Committee may cancel a Participant's Deferred Compensation Elections for the balance of a Plan Year if the Participant submits evidence of an unforeseeable emergency (as defined in the Universal 409A Definition Document) to the Plan Committee. Any Base Salary, Annual Cash Incentive, Commissions or other cash remuneration which would have been deferred pursuant to that cancelled Deferred Compensation Election shall be paid to the Eligible Executive as if he had not made that election.

A Participant may revoke or change a Deferred Compensation Election anytime prior to the date such election becomes irrevocable. Any such change or revocation shall be made in a form and manner determined by the Plan Committee. Under no circumstances may a Participant's Deferred Compensation Election be made, modified or revoked retroactively.

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- (b) If a Participant's Deferred Compensation Election applicable to his Base Salary and/or Annual Cash Incentive or Commissions is cancelled for a Plan Year, he will not be permitted to elect to make Deferrals again until the next Plan Year.
- (c)

If a Participant ceases to be an Eligible Executive after the date a Deferred Compensation Election becomes effective but continues to be employed by the Corporation or an Affiliate, he shall continue to be a Participant and his Deferred Compensation Election currently in effect shall remain in force, but such Participant shall not be eligible to make any further Deferred Compensation Elections until such time as he shall once again become an Eligible Executive.

- (d) Notwithstanding anything in this Plan to the contrary, if Eligible Executive: (i) receives a withdrawal of deferred cash Annual Cash Incentive or Commissions in effect at that time shall be cancelled. Any Base Salary, contributions Annual Cash Incentive or Commissions payment which would have been deferred pursuant to that on account Deferred Compensation Election but for the application of this Section 4.03(b) shall be paid to the of hardship Eligible Executive as if he had not made that election. from any plan which 4.04 *Company Contributions and Other Deferrals* is maintained by the Corporation or any reductions or limitations required by Sections 401(a)(17), 401(k), 402(g) and/or 415 of the Code, for Affiliate and the Plan Year based on the aggregate of the Participant's Elective Deferrals to Future Fund, his deferrals which meet to any other qualified defined contribution plan maintained by the Corporation or an Affiliate, and his the Deferral under Section 4.01 for the Plan Year, disregarding, in all cases, any deferrals made with respect to Base Salary, Annual Cash Incentives and Commissions otherwise payable prior to the first payroll requirements period commencing in the month following date the Participant's completion of one Year of Service; and of Section 401(k) of the Internal Revenue Code (or any successor Term Incentive Plan program maintained by the Corporation or an Affiliate may be deferred under this thereto); and Plan. Such election shall be made in accordance

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- (ii) is precluded from making contributions to such 401(k) plan for at least 6 months after receipt of the hardship withdrawal,
- (a) Company Contributions - Restoration of Lost Matching Contribution. The amount of Lost Matching Contributions credited under the Plan on a Participant's behalf each calendar year shall be equal to (i) minus (ii) where:
- is the total Qualified Future Fund Matching Contribution that would have been allocated on the Participant's behalf under Future Fund, without giving effect to with
 - if the Participant is eligible to contribute to Future Fund during the Plan Year, the actual matching contributions made on the Participant's behalf to Future Fund or any other qualified defined contribution plan maintained by the Corporation or any Affiliate for that Plan Year. However, if the Participant is not eligible to contribute to Future Fund during the Plan Year but is eligible to contribute to the CareSave 401(k) Retirement Savings Plan for Employees of Caremark Rx, Inc. during that Plan Year, the amount under this clause (ii) shall equal the maximum amount of matching contributions the Participant would have received under the provisions of Future Fund for that Plan Year had he been eligible to contribute to Future Fund during that Plan Year, based on his Base Salary and/or Annual Cash Incentive or Commissions otherwise earned and payable in that Plan Year, and his contributions to the CareSave 401(k) Retirement Savings Plan for Employees of Caremark Rx, Inc. for that Plan Year had been made to Future Fund.
- (b) LTI Deferrals. the procedures established by the Plan Committee. The deferral election applicable to a LTI cash award shall be made prior to the close of the calendar year preceding the first day of the performance period applicable to that award. Notwithstanding the foregoing, such election shall become irrevocable as of the close of business of the last day of the calendar year preceding the first day of the performance period applicable to that award. However,

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if such award meets the definition of performance-based compensation (as defined under Treas. Reg. Section 1.409A-1(e) and any subsequent guidance), the Plan Committee may permit such election to be made in accordance with the provisions under Treas. Reg. Section 1.409A-2(a)(8) and subsequent guidance.

- (c) Cash Retention Award Deferrals. At the sole discretion of the Plan Committee and subject to the procedures established by the Plan Committee, an Eligible Executive may elect to defer all or a portion of a cash retention award which may be otherwise paid under a cash retention program maintained by the Corporation or an Affiliate. The deferral election applicable to such cash retention award shall be made in accordance with the provisions of Treasury Regulations Section 1.409A-2(a)(5).

4.05 Deferral and Contribution Timing

Base Salary Deferrals will be credited to the Account of each Participant as of the date of the pay check from which the deferral was withheld. A Participant whose employment terminates during a pay period will cease deferral withholding effective as of the first day of the following payroll period.

Annual Cash Incentive Deferrals and Commission Deferrals will be credited to the Account of each Participant as of the day of which such Annual Cash Incentive or Commissions, whichever is applicable, otherwise would have been paid to the Participant in cash.

Company Contributions for the Restoration of Lost Matching Contribution pursuant to Section 4.04(a) above will generally be credited to the Participant's Company Account at the same time the said Lost Matching Contribution would otherwise have been credited to the Participant's account under Future Fund.

LTIP deferrals shall be credited to the Account of the Participant at the time designated by the Plan Committee.

Cash Retention Awards Deferrals will be credited to the Account of each Participant as of the day of which such Cash Retention Award otherwise would have been paid to the Participant in cash.

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ARTICLE V – ACCOUNTS

5.01 *Establishment of Bookkeeping Accounts*

Separate bookkeeping accounts shall be maintained for each Participant. Said accounts (or subaccount(s) thereof) shall be credited with the deferrals and contributions made by or on behalf of the Participant pursuant to this Plan and credited (or charged, as the case may be) with the hypothetical investment results determined pursuant to this Article of the Plan.

5.02 *Subaccounts*

Within each Participant's bookkeeping account, separate subaccount(s) shall be maintained to the extent necessary for the administration of the Plan. Generally, subaccount(s) will be set up for each year, for each Deferred Compensation Election the Participant makes, and the Company contribution credited each year on behalf of a Participant.

5.03 *Hypothetical Nature of Accounts*

The accounts established under this Article shall be hypothetical in nature and shall be maintained for bookkeeping purposes only so that hypothetical gains or losses on the deferrals or contributions made to the Plan can be credited (or charged, as the case may be).

Neither the Plan nor any of the accounts, or subaccount(s), established hereunder shall hold any actual funds or assets. The right of any person to receive one or more payments under the Plan shall be an unsecured claim against the general assets of the Corporation. Any liability of the Corporation to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan. The Corporation, an Affiliate, the Board, the Committee, or any other person shall not be deemed to be a trustee of any amounts to be paid under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Corporation or an Affiliate and a Participant or any other person.

5.04 *Vesting*

Deferral Account. Participants shall be 100% vested in their Deferral Account and Grandfathered Deferral Account at all times. The Participants shall be 100% vested in the LTIP deferrals credited on his behalf pursuant to Section 4.04(b) and any Cash Retention Award deferrals credited on his behalf pursuant to Section 4.04(c).

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Company Account. Participants shall be 100% vested in the portion of their Company Account and Grandfathered Company Account attributable to Company contributions credited on his behalf prior to January 1, 2001. A Participant shall vest in the portion of his Company Account and Grandfathered Company Account attributable to Lost Matching Contributions credited on his behalf on and after January 1, 2001 at the same rate at which such contributions would have vested under the Future Fund had they been contributed thereunder.

5.05 *Deferral Crediting Options*

Deferral Crediting Options are similar to investment choices in a qualified defined contribution plan, except that they are hypothetical in nature and no funds are actually held in the Plan. Deferral Crediting Options determine the hypothetical gain or loss to be reflected in the Participant Accounts.

The Deferral Crediting Options offered to Participants are determined by the Plan Committee at its sole discretion. The Plan Committee specifically retains the right to change the Deferral Crediting Options at any time, in its sole discretion.

In the event the Plan Committee designates more than one Deferral Crediting Options, each Participant shall file a Deferral Crediting Option election with the Plan Committee, which shall be used to measure the investment performance of his Accounts, within such time period and on such form as the Plan Committee may prescribe. The designation of a Deferral Crediting Option shall not require the Corporation to invest or earmark their general assets in any manner. If a Participant fails to make a Deferral Crediting Option, his Accounts shall be deemed invested in a Deferral Crediting Option as determined by the Plan Committee.

A Participant may change his election of Deferral Crediting Options used to measure the future investment performance of his future deferrals and company contributions within such time periods and in such manner prescribed by the Plan Committee. The election shall be effective as soon as administratively practicable after the date on which the notice is timely filed.

A Participant may change his election of a Deferral Crediting Options used to measure the future investment performance of his existing Account balance within such time periods and in such manner prescribed by the Plan Committee. The election shall be effective as soon as administratively practicable after the date on which the notice is timely filed.

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Any amounts added to or subtracted from a Participant's Account on any given Valuation Date will be converted to hypothetical share equivalents ("Hypothetical Shares") based on the daily closing price on said date ("Share Price") for any given Deferral Crediting Option.

5.06 Hypothetical Gains or Losses

Any hypothetical dividends, capital gains and any other income or share activity will be reflected in the Deferral Crediting Options. The timing of these will be the same as for the funds on which each Deferral Crediting Option is based.

The gain or loss on Participant Accounts will be calculated each Valuation Date. The Share Price shall determine each Deferral Crediting Option's hypothetical value, based on the number of shares within the Account for any given Deferral Crediting Option. Account balances that are given to Participants on a given day will be based on the closing price of the previous Valuation Date.

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ARTICLE VI – DISTRIBUTION OF ACCOUNT

6.01 Normal Distributions

(a) Subject to the limitations set forth in this Article VI, each time a Participant makes a Deferred Compensation Election with respect to a Plan Year beginning on or after January 1, 2005, the Participant shall designate on that applicable Deferred Compensation Election that the distribution of such deferrals, as adjusted pursuant to Article V, shall commence, pursuant to Section 6.02, on or after the occurrence of the later of (i) or (ii):

- (i) the Participant's Retirement; or
- (ii) a Specific Future Year not later than the Plan Year in which the Participant attains age 71.

A Participant may choose different options with respect to each Deferred Compensation Election.

In the event a Participant elects to have such deferrals commence as of a Specific Future Year pursuant to clause (ii) above, subject to rules established by the Plan Committee, the deferral period must be at least five (5) Plan Years.

A Participant may not change the election made pursuant to the provisions of this Section 6.01, except as otherwise provided in Section 6.06 below.

- (b) Notwithstanding the foregoing, any Company Contributions, made with respect to a Plan Year beginning on or after January 1, 2005, adjusted as provided in Article V, shall be distributed pursuant to the Participant's distribution election made with respect to his Base Salary Deferrals for that Plan Year. In the event a Participant has not made a Base Salary Deferral in that Plan Year, such distribution shall be made pursuant to his distribution election made with respect to Annual Cash Incentive or Commissions Deferral for that Plan Year, if any; otherwise, such distribution shall be made at Retirement.
- (c) The distribution of the portion of a Participant's Deferral or Company Account (or subaccount(s)) that is deferred to Retirement under paragraph (a)(i) of this Section, adjusted as provided in Article V, shall commence on the first business day in January following his

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Retirement, pursuant to the provisions of Section 6.02, provided, however, that with respect to a Participant who is a Specified Employee as of the date of his Retirement, payment of any portion of his Deferral or Company Account (or any subaccount(s) thereof) will be delayed until the first day of the seventh month following the date such Retirement occurs.

The distribution of the portion of a Participant's Deferral or Company Account (or subaccount(s)) that is deferred to a Specific Future Year under paragraph (a)(ii) of this Section, adjusted as provided in Article V, shall commence on the first business day in January of that specific year pursuant to the provisions of Section 6.02.

- (d) A Participant shall not change his normal distribution election under this Section 6.01, except as otherwise provided in Section 6.06 below.

6.02 Form of Payment

- (a) Subject to the limitations set forth in the Article VI, Normal Distributions will be made in annual (or quarterly, if the election was made prior to October 1, 2008) installments, as elected by the Participant, for up to, and including, fifteen (15) years (10 years for an election made after October 1, 2008). The initial installment of an annual or quarterly payment stream will begin as of the first business day in January following the Participant's date of Retirement or of the Specific Future Year in accordance with the provisions of set forth in Section 6.01. Subsequent annual or quarterly payments will be as of the first business day of each subsequent calendar year of the installment period. Notwithstanding the foregoing, effective as of October 1, 2008, a Participant may not elect either quarterly installments or installments in excess of 10 years. Each installment will be equal to a fraction of the Account balance (or subaccount(s) thereof) as of the date the installment is paid, The numerator of the fraction being "1" and the denominator being the number of payments remaining in the payment schedule.

Notwithstanding the foregoing provisions of this paragraph (a), if a Participant dies before receiving payment of the entire balance of his Deferral and Company Accounts under the provisions of this Section 6.02(a), the remaining value of such Accounts shall be payable to his Beneficiary in accordance with the provisions of Section 6.04.

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- (b) Normal Distributions made pursuant to Section 6.01 will occur when and how a Participant elects to receive payment at the time of his Deferred Compensation Election. A Participant may choose different forms of payment with respect to each Deferred Compensation Election. Any Company Contributions made with respect to a Plan Year beginning on or after January 1, 2005, adjusted pursuant to Article V, shall be distributed pursuant to the Participant's form of payment election made with respect to his Base Salary Deferral for that year. If the Participant has not made a Base Salary Deferral in that year, the portion of his Company Account attributable to such Company contributions will be distributed in accordance with his form of payment election with respect to his Annual Cash Incentive or Commissions Deferrals for that year, if any; otherwise payment will be made in a lump sum payment. In the absence of an election of the form of payment by a Participant on a Deferred Compensation Election, the portion of the Participant's Account deferred pursuant to that Deferred Compensation Election, adjusted pursuant to the provisions of Article V, shall be paid in a single lump sum.

- (c) A Participant shall not change his form of payment election, except as otherwise provided in Section 6.06 below. **6.03 Disability Distributions**
Notwithstanding the foregoing, if a Participant, prior to his Termination of Employment, becomes Disabled (as defined under Treas. Regs. Section 1.409A-3(i)(4) and any subsequent guidance thereto), such Participant will receive the balance of his Deferral Account and Company Account paid out in five (5) annual installments with the first payment to be made in the month following the date the Participant is determined to be Disabled by the Plan Committee. Subsequent annual payments will be paid as of the first business day of each subsequent year of the installment period.

6.04 Distributions in the Event of Death

Notwithstanding the foregoing, in the event of a Participant's death, the Participant's Beneficiary will receive the remaining balance of the Participant's Deferral Account and Company Account paid in two (2) annual installments with the first payment to be made by the end of the month following the month in which the Participant's date of death occurs. The second annual payment will be paid as of the first business day in January of the subsequent year.

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- 6.05 Distributions Upon Termination of Employment Other Than Retirement, Death or Disability** Notwithstanding the foregoing, in the event a Participant incurs a Termination of Employment from the Corporation and all Affiliates for any reason other than death or Retirement prior to becoming Disabled (as defined in Section 6.03), said Participant will receive his entire Deferral Account and Company Account balance in a single lump sum payment. Such payment shall be made as of the month following the month in which the Participant's Termination of Employment occurs; provided, however, that with respect to a Participant who is a Specified Employee as of the date of his Termination of Employment for reasons other than death, payment of any portion of his Deferral or Company Account (or any subaccount(s) thereof) pursuant to the provisions of this Section 6.05 will be delayed until the first day of the seventh month following the date such Termination of Employment occurs.

6.06 Change of Distribution Election

- (a) In accordance with such procedures as the Plan Committee may prescribe, a Participant may elect to change his Specific Future Year election under Section 6.01(ii) (or an Interim Distribution date election applicable to a portion of his Deferral Account or Company Account made pursuant to the provisions of the Plan as in effect prior to December 31, 2008) to a later Specific Future Year (or, if applicable, a later Interim Distribution date) by duly completing, executing and filing with the Plan Committee a new Specific Future Year election (or Interim Distribution date election) applicable to such deferrals, subject to the following limitations:
- (i) such election must be made at least 12 months prior to the Specific Future Year (or Interim Distribution date) then in effect with respect to that portion of his Deferral or Company Account (or subaccount(s) thereof), and such election will not become effective until at least 12 months after the date on which the election is made; and
 - (ii) the new Specific Future Year (or Interim Distribution date) shall be a calendar year that is not less than five (5) years from the Specific Future Year (or Interim Distribution date) then in effect.

Notwithstanding the foregoing, a Participant may elect to delay a Specific Future Year to the later of Retirement or a new Specific Future Year that is at least five years from the Specific

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Future Year then in effect, provided the election is made in accordance with the foregoing provisions of this Section 6.06(n). A Participant may elect to delay a Specific Future Year (or Interim Distribution date) pursuant to this Section 6.06(a) more than once, provided that all such elections comply with the provisions of this Section 6.06 (a).

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(or any subaccount(s) thereof) from Retirement to a Specific Future Year or, except as provided in paragraph (a) above, from a Specific Future Year to Retirement.

6.07 Account Valuation Upon a Distribution

Before a distribution pursuant to this Article, the balance of a Participant's Account shall be determined as of the Valuation Date on or immediately preceding the date such payment is processed based on the Share Price in effect for that Valuation Date.

6.08 Designation of Beneficiary

Each Participant shall have the right to designate a beneficiary to receive payment of their Account in the event of their death. A beneficiary designation shall be made by executing and filing the beneficiary designation form prescribed by the Plan Committee. Any such designation may be changed at any time by execution of a new designation in accordance with this Section.

If no such designation is on file with the Plan Committee at the time of the death of the Participant, or such designation is not effective for any reason as determined by the Plan Committee, then the beneficiary to receive such benefit shall be the Participant's surviving spouse, if any; otherwise, Plan Committee shall designate a Beneficiary or Beneficiaries from among the following in the order named (1) Participant's surviving lineal descendants, per stirpes, in equal parts, (2) the Participant's surviving parents, in equal parts, (3) the Participant's estate.

6.09 Unclaimed Benefits

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If the Plan Committee is unable to locate a Participant or Beneficiary to whom a benefit is payable, such benefit may be forfeited to the Corporation upon the Plan Committee's determination. Notwithstanding the foregoing, if subsequent to any such forfeiture, the Participant or Beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be restored to the Plan and paid by the Corporation, with interim interest credited as if the Account were maintained in the plan.

6.10 Hardship Withdrawals

A Participant may apply in writing to the Plan Committee for, and the Plan Committee may grant, a hardship withdrawal of all or any part of a Participant's Deferral or Company Account if the Plan Committee, in its sole discretion, determines that the Participant has incurred an Unforeseeable Emergency, as defined in the Universal 409A Definition Document.

The Plan Committee shall determine whether an event qualifies as a hardship within this Section, in its sole and absolute discretion. Such request shall be made in a time and manner determined by the Plan Committee. The payment made from a Participant's Deferral or Company Account (or any subaccount(s) thereof) pursuant to the provisions of this Section 6.10 shall not be in excess of the amount necessary to meet such financial hardship of the Participant, including amounts necessary to pay any federal, state or local income taxes with respect to the payment. Payment shall be made in the month following the date the Plan Committee determines that the Participant has incurred an unforeseeable severe financial hardship and grants the right to a withdrawal pursuant to this Section 6.10.

6.11 Change in Control

Notwithstanding the foregoing provisions of this Article VI, upon the occurrence of a Change of Control a Participant who has a valid change in control election(s) in effect, shall automatically receive the balance of his Deferral Account and Company Account related to that election, in cash, in a single lump sum payment. Such lump sum payment shall be made in the month following the month in which the Change of Control occurs. If such Participant dies after such Change of Control event occurs, but before receiving such payment, it shall be made to his Beneficiary.

6.12 Distribution of Grandfathered Deferral Account and the Grandfathered Company Account

Notwithstanding the foregoing provisions of this Article VI, the distribution from a Participant's Grandfathered Deferral Account and Grandfathered Company Account (or subaccount(s)) shall be

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made pursuant to the provisions of the Plan as set forth on October 3, 2004, without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A, as modified in Appendix A attached hereto.

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ARTICLE VII – ADMINISTRATION**7.01 Plan Committee**

The Plan shall be administered by the committee appointed by the Board of Directors pursuant to the provisions of Future Fund. The Plan Committee shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. The Plan Committee may delegate to others certain aspects of the management and operations of the Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals, provided that such delegation is in writing. The Plan Committee shall be a "named fiduciary" as that term is defined in Section 402(a)(2) of ERISA.

7.02 General Powers of Administration

The Plan Committee shall have the exclusive responsibility and complete discretionary authority to control the operation, management and administration of the Plan, with all powers necessary to enable it properly to carry out such responsibilities, including, but not limited to, the power to interpret the Plan and any related documents, to establish procedures for making any elections called for under the Plan, to make factual determinations regarding any and all matters arising hereunder, including, but not limited to, the right to determine eligibility for benefits, the right to construe the terms of the Plan, the right to remedy possible ambiguities, inequities, inconsistencies or omissions, and the right to resolve all interpretive, equitable or other questions arising under the Plan. The decisions of the Plan Committee or such other party as is authorized under the terms of any grantor trust on all matters shall be final, binding and conclusive on all persons to the extent permitted by law. The Plan Committee shall have all powers necessary or appropriate to enable it to carry out its administrative duties. Not in limitation, but in application of the foregoing, the Plan Committee shall have the duty and power to interpret the Plan and determine all questions that may arise hereunder as to the status and rights of Employees, Participants, Beneficiaries, and any other person. The Plan Committee may exercise the powers hereby granted in its sole and absolute discretion. No member of the Plan Committee shall be personally liable for any actions taken by the Plan Committee unless the member's action involves gross negligence or willful misconduct.

7.03 Costs of Administration

The costs of administering the Plan shall be borne by the Corporation unless and until the Participant receives written notice of the imposition of such administrative costs; with such costs to begin with the next Plan Year and none may be assessed retroactively for prior Plan Years. Such costs shall be charged against the Participant's Account and shall be uniform or proportional for all Plan

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Participants. Such costs shall not exceed the standard rates for similarly designed nonqualified plans under administration by high quality third party administrators at the time such costs are initially imposed and thereafter.

7.04 Indemnification of Plan Committee

The Corporation shall indemnify the members of the Plan Committee or its delegates against any and all claims, losses, damages, expenses, including attorney's fees, incurred by them, and any liability, including any amounts paid in settlement with their approval, arising from their action or failure to act, except when the same is judicially determined to be attributable to their gross negligence or willful misconduct.

7.05 Compliance

With respect to the accounts subject to Code Section 409A, the Plan is intended to comply with the requirements of Code Section 409A and the provisions hereof shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the regulations thereunder, and the Plan shall be operated accordingly. If any provision of the Plan would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

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ARTICLE VIII – CLAIMS PROCEDURE**8.01 Claims**

A person who believes that they are being denied a benefit to which they are entitled to under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Plan Committee, setting forth their claim. The request must be addressed to the Plan Committee at the Corporation's then principal place of business.

8.02 Claim Decision

Upon receipt of a claim, the Plan Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. If the Plan Committee determines that additional time is needed to review the claim, the Plan Committee will provide the Claimant with a notice of the extension before the end of the initial ninety (90)-day period. The notice of extension will explain the special circumstances that require the extension and the date by which the Plan Committee expects to make a decision.

If the claim is denied in whole or in part, the Plan Committee shall adopt a written opinion using language calculated to be understood by the Claimant, setting forth all of the following:

- (a) The specific reason or reasons for such denial;(b) The specific reference to pertinent provisions of the Plan on which such denial is based;
 - (c) A description of any additional material or information necessary for the Claimant to perfect their claim and an explanation why such material or such information is necessary;
 - (d) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and
 - (e) The time limits for requesting a review under this Section.
- Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the determination of the Plan Committee be reviewed. Such request must be addressed to the Secretary of the Committee, at its then principal place of business. The Claimant or their duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Corporation. If the Claimant does not request a review of the Plan Committee's determination within such sixty (60)-day period, he shall be barred and stopped from challenging the Plan Committee's determination.

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8.04 Review of Decision

Within sixty (60) days after the Secretary's receipt of a request for review, the Committee as designated by the Corporation to hear such appeals (Appeals Committee) will review the Plan Committee's determination. After considering all materials presented by the Claimant, the Secretary will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60)-day time period be extended, the Secretary will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

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ARTICLE IX – MISCELLANEOUS**9.01 Not Contract of Employment**

The adoption and maintenance of the Plan shall not be deemed to be a contract between the Corporation or an Affiliate and any person and shall not be consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Corporation or an Affiliate or to restrict the right of the Corporation or an Affiliate to discharge any person at any time nor shall the Plan be deemed to give the Corporation or an Affiliate the right to require any person to remain in the employ of the Corporation or an Affiliate or to restrict any person's right to terminate their employment at any time.

9.02 Non-Assignability of Benefits

No Participant, Beneficiary or distributees of benefits under the Plan shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the amounts payable hereunder, which are expressly declared to be unassignable and nontransferable. Any such attempted assignment or transfer shall be void. No amount payable hereunder shall, prior to actual payment thereof, be subject to seizure by any creditor of any such Participant, Beneficiary or other distributees for the payment of any debt judgment or other obligation, by a proceeding at law or in equity, nor transferable by operation of law in the event of the bankruptcy, insolvency or death of such Participant, Beneficiary or other distributees hereunder.

9.03 Withholding

All deferrals and payments provided for hereunder shall be subject to applicable withholding and other deductions as shall be required of the Corporation under any applicable local, state or federal law.

9.04 Amendment and Termination

The Committee may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that no amendment may be made that would impair the rights of a Participant with respect to amounts already allocated to their Account. To the extent consistent with the rules relating to plan terminations and liquidations in Treas. Reg. Section 1.409A-3(j)(4)(ix) or otherwise consistent with Code Section 409A, the Committee may terminate the Plan and any related Deferred Compensation Agreement at any time and in that event the Committee may provide that, without the prior written consent of Participants, the Participants' Deferral Account and Company Account shall be distributed in a cash lump sum upon termination

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of the Plan. Unless so distributed in accordance with the preceding sentence, in the event of a Plan termination, the Committee shall continue to maintain the Deferral Account and Company Account until distributed pursuant to the terms of the Plan and Participants shall remain 100% vested in all amounts credited to their Deferral and Company Accounts. In the event of a Plan termination, the distribution of a Participant's Grandfathered Deferral Account and Grandfathered Company Account shall be made pursuant to the provisions of the Plan as set forth on October 3, 2004, without regard to any amendments after October 3, 2004 which would constitute a material modification for Code Section 409A, as modified in Appendix A attached hereto.

9.05 *Compliance with Securities and Other Laws*

Notwithstanding any Plan provision to the contrary, the Committee may at any time impose such restrictions on the Plan and participation therein, including limiting the amount of any deferral or the timing thereof, as the Committee may deem advisable from time to time in order to comply or preserve compliance with any applicable laws, including any applicable state and federal securities laws and exemptions from registration available thereunder.

9.06 *No Trust Created*

Nothing contained in this Plan and no action taken pursuant to its provisions by the Corporation or any person, shall create, nor be construed to create, a trust of any kind or a fiduciary relationship between the Corporation or an Affiliate and the Participant, Beneficiary, or any other person.

9.07 *Unsecured General Creditor Status of Employee*

The payments to the Participant, Beneficiary or any other distributees hereunder shall be made from assets which shall continue, for all purposes, to be a part of the general, unrestricted assets of the Corporation. No person shall have or acquire any interest in any such assets by virtue of the provisions of this Plan. The Corporation's obligation hereunder shall be an unfunded and unsecured promise to pay money in the future. To the extent that the Participant, Beneficiary or other distributees acquires a right to receive payments from the Corporation under the provisions hereof, such right shall be no greater than the right of any unsecured general creditor of the Corporation. No such person shall have nor require any legal or equitable right, interest or claim in or to any property or assets of the Corporation.

In the event that, in its discretion, the Corporation purchases an insurance policy, or policies, insuring the life of the Employee, or any other property, to allow the Corporation to recover the cost of

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providing the benefits, in whole, or in part, hereunder, neither the Participant, Beneficiary or other distributee shall have or acquire any rights whatsoever therein or in the proceeds therefrom. The Corporation shall be the sole owner and beneficiary of any such policy or policies and, as such, shall possess and, may exercise all incidents of ownership therein. No such policy, policies or other property shall be held in any trust for a Participant, Beneficiary or other distributee or held as collateral security for any obligation of the Corporation hereunder. An Employee's participation in the underwriting or other steps necessary to acquire such policy or policies may be required by the Corporation and, if required, shall not be a suggestion of any beneficial interest in such policy or policies to a Participant.

9.08 *Payment to Minors and Incompetents*

If any Participant, spouse, or Beneficiary entitled to receive any benefits hereunder is a minor or is deemed by the Plan Committee or is adjudicated to be legally incapable of giving a valid receipt and discharge for such benefits, the benefits will be paid to such person or institution as the Plan Committee may designate or to the duly appointed guardian of such person. Such payment shall, to the extent made, be deemed a complete discharge of any such payment under the Plan.

9.09 *Acceleration of or Delay in Payments*

The Plan Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A-3(j)(4) and any subsequent guidance. The Plan Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7) and any subsequent guidance.

9.10 *Severability*

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

9.11 *Governing Laws*

All provisions of the Plan shall be construed in accordance with the laws of Rhode Island, except to the extent preempted by federal law.

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9.12 Binding Effect

This Plan shall be binding on each Participant and their heirs and legal representatives and on the Corporation and its successors and assigns.

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APPENDIX A

**PROVISIONS APPLICABLE TO A PARTICIPANT'S
GRANDFATHERED DEFERRAL ACCOUNT AND
GRANDFATHERED COMPANY ACCOUNT**

This Appendix A constitutes an integral part of the Plan and is applicable with respect to the Grandfathered Deferral Account and the Grandfathered Company Account of those individuals who were Participants in the Plan on December 31, 2004. The Grandfathered Deferral Account and Grandfathered Company Account are subject to all the terms and conditions of the Plan as set forth on October 3, 2004, without regard to any Plan amendments after October 3, 2004 which would constitute a material modification for Code Section 409A, as modified below. Section references in this Appendix A correspond to appropriate Sections of the Plan as set forth on October 3, 2004.

ARTICLE I – DEFINITIONS

Section 2.15 - **Company Account** means the Participant's Grandfathered Company Account as set forth in Section 2.28.

Section 2.19 - **Deferral Account** means the Participant's Grandfathered Deferral Account as set forth in Section 2.29 of the foregoing provisions of the Plan.

For purposes of a Participant's Grandfathered Deferral Account and Grandfathered Company Account, the term Change in Control shall have the meaning set forth in the 1997 Incentive Compensation Plan as in effect on October 3, 2004.

ARTICLE IV – DEFERRALS AND COMPANY CONTRIBUTIONS

The provisions of Section 4.03 shall continue to apply to a Participant's Grandfathered Deferral Account, Grandfathered Company Account and amounts transferred from the Melville Deferred Compensation Plan that were vested on or earlier than December 31, 2004.

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ARTICLE V – MAINTENANCE OF ACCOUNTS

The provisions of Section V as set forth in the foregoing provisions of the Plan as amended and restated effective as of December 31, 2008 shall be applicable to a Participant's Grandfathered Deferral Account and Grandfathered Company Account on and after January 1, 2009.

ARTICLE VI – PAYMENT OF BENEFIT

For purposes of this Article VI - Payment of Benefit, the term "termination of employment" or any other similar language means with respect to a Participant the complete cessation of providing service to the Corporation and any Affiliate as an employee.

6.02 Form of Payment

Effective on or after October 1, 2008, a Participant shall not elect installments in excess of ten years or quarterly installments.

6.03 Disability Distributions

A Participant shall be entitled to distribution under this Section if such Participant become "Disabled" as such term is defined under Section 6.03 in the foregoing provisions of this Plan.

6.06 Change of Distribution Election

On and after January 1, 2009, a change in a Specific Future Year distribution date or an Interim distribution date shall be effective only if the new Specific Future Year distribution date or an Interim distribution date is not less than 5 years later than the date in effect prior to the change election.



I. Objectives and Summary

CVS Caremark Corporation's Management Incentive Plan (the "MIP") is designed to reward incentive-eligible employees ("Eligible Participants") of CVS Caremark Corporation and its subsidiaries (together, "the Company") for their role in driving performance and to encourage Eligible Participants' continued employment with the Company. Funding for the payment of incentive awards will be based on actual results measured against pre-established financial goals. The amount of each incentive award will be based on the performance of the Company and the performance of the individual Eligible Participant.

The Management Planning and Development Committee (the "Committee") of the Board of Directors (the "Board") may delegate to officers of CVS Caremark the authority to perform administrative functions of the MIP as the Committee may determine and may appoint officers and others to assist it in administering the MIP.

II. Plan Year

The MIP is a calendar year plan, which runs from January 1 to December 31, 2013 ("Plan Year"). All dates in this document occur during the Plan Year unless otherwise stated.

III. Eligibility

A. Eligibility for Participation

The Chief Executive Officer of CVS Caremark Corporation ("CEO") will determine those employees who are eligible for participation in the MIP, provided that the Committee shall determine the eligibility of employees who are or may be subject to Section 162(m) of the Internal Revenue Code (collectively, "Section 162(m) Eligible Participants", whom will also be included in the term "Eligible Participants" unless otherwise noted). In general, Eligible Participants include all exempt employees who are not covered by any other incentive plans and who are employed on or before November 1 of the Plan Year; provided, however, that an employee who becomes a Section 162(m) Eligible Participant after January 1 of the Plan Year shall be eligible for an award only to the extent that such award does not violate the requirements of Section 162(m).

The CEO (or, as to Section 162(m) Eligible Participants, the Committee) may, for any reason and in his or her (or its) sole discretion, at any time prior to the end of the Plan Year, determine an employee's eligibility for participation in the Plan. Eligible Participants are subject to the terms and conditions relating to incentive awards set forth in the MIP.

B. Section 162(m) Eligible Participants

Section 162(m) Eligible Participants shall be subject to the limitations required to comply with the provisions of Section 162(m). Subject to the requirements of Section 162(m), the Committee shall retain sole discretion to determine a Section 162(m) Eligible Participant's eligibility for an award, the target award, and the amount of the actual award. In no event shall a Section 162(m) Eligible Participant's award exceed the amount permitted by Section 162(m).

C. Newly-Eligible Employees

The award, if any, to an Eligible Participant who became an Eligible Participant after the beginning of the Plan Year may be prorated based on the date of eligibility.

D. Transfers

An employee who becomes an Eligible Participant on or before November 1 of the Plan Year as a result of a transfer may be eligible for a prorated MIP award. If a change in assignment results in an employee becoming an Eligible Participant for part of the Plan Year and other incentives during other parts of the Plan Year, the employee may be eligible to receive a prorated award for the amount of time in each incentive eligible position, subject to the terms of each applicable incentive plan. A change in assignment from one MIP-eligible position to another MIP-eligible position

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during the Plan Year does not result in a prorata award but rather an award funded on the base salary of the Eligible Participant on December 31 of the Plan Year and the individual award opportunity as of that date.

E. Demotions

If a previously Eligible Participant is demoted to a non-incentive eligible position due to his or her violation of CVS Caremark policy or his or her performance, or if he or she voluntarily transfers to a non-incentive eligible position during the Plan Year, and is in the non-incentive eligible position on the last day of the Plan Year, he or she will not be eligible to earn an incentive award for the Plan Year under the MIP.

F. Terminations

Unless otherwise stated in Section VII of the MIP, if an Eligible Participant's employment terminates prior to the final determination of incentive awards for the Plan Year, he or she will not be eligible to receive an incentive award under the MIP. The final determination of incentive awards generally occurs in February of the year following the Plan Year.

G. Rehires

Employees who are rehired as Eligible Participants on or before November 1 of the Plan Year may be eligible for a prorated incentive award. For purposes of proration, credit will only be given for time worked during the Plan Year in incentive-eligible positions.

IV. Target Measurements and Total Pool

A. Consolidated Company Funding

MIP funding is based on consolidated Company performance, measured by Operating Profit, Retail Customer Service and Pharmacy Benefit Management ("PBM") Customer Satisfaction, as defined below. Achievement of the Company's consolidated operating profit target will determine 80% of the total funding (the "Total Pool"); achievement of the Retail Customer Service target, as measured by 'myCustomer Experience' scores, will determine 10% of the Total Pool; and achievement of PBM Customer Satisfaction targets will determine the remaining 10% of the Total Pool.

1. Operating Profit

Operating Profit is determined by reference to EBIT and may be adjusted by the permitted financial adjustments as approved by the Committee prior to the end of the first fiscal quarter of the Plan Year (the "Permitted Financial Adjustments").

If Operating Profit is below the minimum threshold of 96.9% (see Exhibit A), no formulaic funding will be made available for incentive awards, regardless of Retail Customer Service and PBM Customer Satisfaction performance, and there shall be no requirement that incentive awards be paid under the MIP.

2. PBM Customer Satisfaction

Achievement of the PBM Customer Satisfaction component of incentive funding will be determined by the aggregate actual performance against target (see Exhibit A) of the weighted composite of the following surveys:

- Client Relationship and Loyalty Survey (weight = 50%)
- Mail Service Pharmacy and Customer Care Survey (weight = 25%) PBM Customer Satisfaction
- Specialty Pharmacy Satisfaction Survey (weight = 25%) funding is subject to adjustment based on Operating Profit.

3. Retail Customer Service

The Retail Customer Service component of the incentive funding will be determined using the myCustomer Experience actual performance against the target (see Exhibit A). The myCustomer Experience score is derived based on RX Score and Front Store score and assigned weightings.

Retail Customer Service funding is subject to adjustment based on Operating Profit.

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COMPANY PERFORMANCE - TARGET MEASUREMENTS

| Measurement | Percent Weight | Measurement Tool | Achievement Measured Against | Modifier | Subject to restrictions applicable to Section 162(m) Eligible Participants |
|-------------------------------|----------------|--|---------------------------------------|--|--|
| Consolidated Operating Profit | 80% | Earnings Before Interest and Taxes ("EBIT") | 2013 EBIT Goal | CEO & Committee Discretion ⁽¹⁾ Permitted Financial Adjustments | |
| PBM Customer Satisfaction | 10% | Client Relationship and Loyalty, Customer Care, Mail Service and Specialty Surveys | 2013 PBM Customer Satisfaction Target | Operating Profit Funding | |
| Retail Customer Service | 10% | myCustomer Service Scorecard | 2013 myCustomer Experience Target | Operating Profit Funding | |

B. Total Pool Funding

After the achievement of at least threshold for Operating Profit has been confirmed, performance of Retail Customer Service and PBM Customer Satisfaction compared to target for the Plan Year will be calculated. The Total Pool for all business units will be fully based (100%) on consolidated Company performance.

The CEO may adjust the funding of the Total Pool at his or her discretion based on (a) input from the PBM and Retail Presidents and Finance regarding their assessment of the overall performance of the Company; and (b) the CEO's (or, in the case of Section 162(m) Eligible Participants, the Committee's) assessment of the achievement of Plan Year performance goals by the Company.

C. Individual Performance

The Total Pool will be available for award to Eligible Participants under the MIP, taking into account the individual contribution of each Eligible Participant. The amount, if any, of the incentive award for an Eligible Participant shall be determined in the sole discretion of the Company. The amount, if any, of the incentive award for a Section 162(m) Eligible Participant shall be determined in the sole discretion of the Committee.

V. Earnings and Payout**A. Timing**

Incentive awards will be paid to Eligible Participants as soon as administratively feasible following the date the Total Pool is determined and approved and the amount of incentive payments is ascertained, but in any case on or before March 15 of the year immediately following the Plan Year. Incentive payments under the MIP may be subject to garnishments and other state or federal requirements.

B. Calculations

Calculations for full and partial awards will be based on each Eligible Participant's annual base salary and individual target opportunity as of the last day of the Plan Year.

For purposes of proration, the 15th of the month will be used to determine if the month is included or excluded from the incentive calculation, as follows:

1. If an Eligible Participant is hired or returns to work from an authorized leave of absence on or before the 15th of the month, the month will be included in the incentive calculations.
2. If an Eligible Participant is hired or returns to work from an authorized leave of absence after the 15th of the month, then such month will be excluded from the incentive calculations.

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3. If an Eligible Participant's employment is terminated on or before the 15th of the month and the employee is eligible for a prorated award under the Plan, then the month will be excluded from incentive calculations.
4. If an Eligible Participant's employment is terminated after the 15th of the month and the employee is eligible for a prorated award under the Plan, then the month will be included in the incentive calculations.

Examples:

- a. An employee is hired as an Eligible Participant on September 14th. Because the Eligible Participant is actively employed prior to the 15th of September, the month of September will be included in his/her prorated incentive award and the Eligible Participant will receive a prorated incentive award covering a total of four months. The award will be calculated using the Eligible Participant's individual award opportunity target and base salary as of December 31st.
- b. An Eligible Participant begins a personal leave of absence on June 3rd and returns to active status on July 22nd. Assuming the Eligible Participant was incentive eligible for the entire year, the months of June and July will be excluded from the Eligible Participant's incentive award and the Eligible Participant will receive a prorated incentive award covering a total of 10 months. The award will be calculated using the Eligible Participant's individual award opportunity target and base salary as of December 31st.

C. Award Opportunity

Individual target awards will be determined by position and may vary based on the Eligible Participant's level in the organization.

D. Obligation to Pay Out Total Pool

Eligible Participants, as a group, have a right to receive an amount at least equal to the Total Pool, but no individual Eligible Participant shall be entitled to receive an award or any specific amount of the Total Pool. In no event will the aggregate of the total awards paid from the MIP be less than the amount of the Total Pool.

VI. Corrections to Incentive Awards

Any corrections to incentive award calculations must be submitted through the Human Resources Business Partner to Compensation by April 15 of the year following the Plan Year.

VII. Eligible Participant Status**A. Performance**

The Company has full discretion in determining the amount, if any, of a MIP award to an Eligible Participant, and the Participant's individual performance throughout the Plan Year will be considered by the Company in the final determination of the Eligible Participant's incentive award.

B. Leaves of Absence

An Eligible Participant on a Company-approved leave of absence at any time during the Plan Year who remains employed in an eligible position as of the last day of the Plan Year will earn a prorated incentive award based on the number of months actively worked (including time compensated as vacation, myTime or Paid Time Off ("PTO")) during the Plan Year, provided he or she meets all other eligibility criteria for an incentive award. For purposes of proration, the 15th of the month will be used to determine if the month is included or excluded from the incentive calculation, as set forth above in Section V.B.

C. Reduction in Force, Retirement and Death

1. Reduction in Force

If an Eligible Participant is separated from employment by the Company on or before the last day of the Plan Year due to a reduction in force, he or she may be eligible to receive a prorated incentive award based on the number of months worked during the Plan Year, provided the Eligible Participant meets all other eligibility criteria for an incentive award. For purposes of proration, the 15th of the month will be used to determine if the month is included or excluded from the incentive calculation, as set forth above.

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2. Retirement

If an Eligible Participant is at least age 55 and has a minimum of 10 years of service with CVS Caremark or a predecessor company/subsidiary or is at least age 60 and has a minimum of 5 years of service with CVS Caremark or a predecessor company/subsidiary and the Eligible Participant retires before the end of the Plan Year, he/she may be eligible to receive a prorated incentive award based on the number of months worked during the Plan Year, provided he/she meets all other eligibility criteria for an incentive award. Eligible Participants who do not meet the minimum retirement requirements under this section at the time of retirement and who retire before the end of the Plan Year will not be eligible for an incentive award.

3. Death

In case of the death of an Eligible Participant, a prorated incentive award may be paid to the Eligible Participant's spouse, if living; otherwise, in equal shares to surviving children of the Eligible Participant. If there are no surviving children, the benefit shall be paid to the Eligible Participant's estate. The incentive award will be prorated based on the number of months the Eligible Participant worked during the Plan Year and shall be paid as soon as administratively practicable following the death of the Eligible Participant but no later than March 15 of the year following the Plan Year.

VIII. Miscellaneous**A. No Promise of Continued Employment**

The MIP does not create an express or implied contract of employment between CVS Caremark and an Eligible Participant. Both CVS Caremark and the Eligible Participant retain the right to terminate the employment relationship at will, at any time and for any reason.

B. Rights are Non-Assignable

Neither the Eligible Participant, nor any beneficiary, nor any other person shall have any right to assign, in whole or in part, the right to receive payments under the MIP. Payments are non-assignable and non-transferable, whether voluntarily or involuntarily.

C. Compliance with Applicable Law

An Eligible Participant must comply with all applicable state and federal law and CVS Caremark policies to be eligible to receive an incentive award under the MIP.

CVS Caremark will comply with all applicable laws concerning incentive awards; the MIP and its administration are not intended to conflict with any applicable state or federal law.

D. Change in Control

In the event of a change in control of CVS Caremark, as defined in the 2010 Incentive Compensation Plan ("ICP"), the MIP shall remain in full force and effect. Any amendments, modifications, termination or dissolution of the MIP by the acquiring entity may only occur prospectively and will not affect incentive earnings or eligibility before the date of the change in control or such date as it may be modified or dissolved by the acquiring entity.

Provisions regarding the payment of annual incentive awards that are set forth in change in control agreements with Eligible Employees shall supersede those appearing in the MIP.

E. Withholding

All required deductions will be withheld from the incentive awards prior to distribution. This includes all applicable federal, state, or local taxes, as well as any eligible 401(k) deductions and deferred compensation contributions as defined by the applicable plans. Incentive awards that are deferred will be taxed according to applicable federal and state tax law. Each Eligible Participant shall be solely responsible for any tax consequences of his or her award hereunder.

F. MIP Amendment/Modification/Termination

CVS Caremark retains the right to amend, modify, or terminate the MIP at any time on or before the last day of the Plan Year for any reason, with or without notice to Eligible Participants, provided that no changes shall be made with respect to a Section 162(m) Eligible Participant that would not comply with the requirements of Section 162(m).

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G. MIP Interpretation

All inquiries with respect to the MIP and any requests for interpretation of any provision in the MIP must be submitted to the appropriate Human Resources Business Partner in writing. Failure to submit a request for resolution of a dispute or question in writing within 30 days of distribution of the incentive award may result in a waiver of the Eligible Participant's rights to dispute the MIP provision or amount of the incentive award.

Capitalized terms not otherwise defined herein shall have the meaning assigned to such defined term(s) in the ICP. In the event of any conflict between the ICP and the MIP, the terms of the ICP shall govern.

H. Recoupment of Incentive Awards

Each incentive award under the MIP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Eligible Employee to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the MIP.

I. Section 409A of the Internal Revenue Code

The Company intends that the MIP not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and the regulations and guidance thereunder (collectively, "Section 409A"), and that to the extent any provisions of the Plan do not comply with Section 409A the Company will make such changes as it deems reasonable in order to comply with Section 409A. Payments hereunder are intended to qualify as short-term deferral payments under Section 409A. In all events, the provisions of CVS Caremark Corporation's Universal [409A] Definitions Document are hereby incorporated by reference, and notwithstanding the any other provision of the Plan or any Award to the contrary, to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code (requiring certain delays for "specified employees"), payment of any amounts subject to Section 409A shall be delayed until the first business day of the seventh (7th) month following the date of termination of employment. For purposes of any provision of the Plan providing for the payment of any amounts or benefits in connection with a termination of employment, references to an Eligible Person's "termination of employment" (and corollary terms) shall be construed to refer to the Eligible Person's "separation from service" with the Company as determined under Section 409A.

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Exhibit A**2013 Company MIP Funding Grid**

| Consolidated Operating Profit (EBIT) ¹ (80%) | |
|--|----------|
| Results | % Payout |
| 102.5% | 200% |
| 102.2% | 180% |
| 101.9% | 160% |
| 101.6% | 140% |
| 101.2% | 120% |
| 99%-101% | 100% |
| 98.8% | 90% |
| 98.4% | 80% |
| 98.1% | 70% |
| 97.8% | 60% |
| 97.5% | 50% |
| 97.2% | 40% |
| 96.9% | 30% |
| < 96.9% | 0% |

| Retail Customer Service - myCustomer Experience (10%) | |
|--|----------|
| Results | % Payout |
| 100.0% | 100% |
| 99.0% | 95% |
| 98.0% | 90% |
| 97.0% | 85% |
| 96.0% | 80% |
| 95.0% | 75% |
| 94.0% | 70% |
| 93.0% | 65% |
| 92.0% | 60% |
| 91.0% | 55% |
| 90.0% | 50% |
| 89.0% | 25% |
| <89.0% | 0% |

| PBM Customer Satisfaction (10%) | |
|--|----------|
| Results | % Payout |
| 100.0% | 100% |
| 99.0% | 95% |
| 98.0% | 90% |
| 97.0% | 85% |
| 96.0% | 80% |
| 95.0% | 75% |
| 94.0% | 70% |
| 93.0% | 65% |
| 92.0% | 60% |
| 91.0% | 55% |
| 90.0% | 50% |
| 89.0% | 25% |
| <89.0% | 0% |

¹ Linear interpolation to determine payout for results that are outside of the 100% performance range

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LONG-TERM INCENTIVE PLAN

Purpose

The purpose of the CVS Caremark Long-Term Incentive Plan (the "Plan") is to motivate select executives to focus on the long-term financial goals of CVS Caremark Corporation (the "Company") that enhance shareholder value, while simultaneously promoting executive retention and maintaining competitive levels of compensation.

Administration

The Plan shall be administered by the Management Planning and Development Committee (the "Committee") of the Board of Directors (the "Board") of the Company under the provisions of the 2010 Incentive Compensation Plan, as amended (the "2010 ICP"), where applicable. The Committee shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to determine Eligible Persons, grant awards under the Plan (each, an "Award"), and determine the amount, terms and conditions and all other matters relating to Awards. In addition, the Committee shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to construe and interpret rules and regulations for the administration of the Plan, correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan.

Capitalized terms not otherwise defined herein shall have the meaning assigned to such term(s) in the 2010 ICP.

Eligibility

Executives employed by the Company or its subsidiaries who are selected by the Committee or its designate shall be eligible to receive an Award under the Plan (an "Eligible Person").

The Committee may grant Awards under the Plan that are intended to qualify as performance-based compensation within the meaning of the rules under Section 162(m) of the Code ("the Section 162(m) Rules") and Awards that are not intended to qualify as performance-based compensation under the Section 162(m) Rules. In each case, the terms of each Award shall be established pursuant to such procedures and methods as may be approved by the Committee or its designate.

If (a) the Award recipient is a member of the Company's Business Planning Committee at the time the Award is granted and (b) the Award recipient is expected to be a "covered employee" within the meaning of the Section 162(m) Rules for the calendar year in which the Award is settled, any Award granted under the Plan to the Award recipient shall qualify as performance-based compensation under the Section 162(m) Rules, and the initial grant and the terms of such Award, as established and approved by the Committee, shall comply with the Section 162(m) Rules.

Awards

The Committee shall determine the Eligible Persons to whom Awards shall be granted and the terms and conditions relating to the Awards, including but not limited to the target amount of each Eligible Person's Award, the range of each Eligible Person's Award that may be earned based on the Company's performance, the performance period relating to such Awards, the performance criteria that will be used to determine if and to what extent such Awards may be earned by Eligible Persons participating in the Plan and any other provisions as the Committee deems appropriate; *provided, however*, that performance criteria with respect to Awards intended to qualify as Section 162(m) performance-based compensation shall be consistent with the 2010 ICP, and such determination shall be made within the following time frames:

- (i) At the beginning of any performance period and, if the Awards are intended to qualify as Section 162(m) performance-based compensation, not later than the earlier of 90 days after the start of the performance period and expiration of 25% of the performance period, or
 - (ii) If the Awards are not intended to qualify as Section 162(m) performance-based compensation, then with respect to any new employee, not later than the last day of the calendar year in which the employee commences his or her employment.
- (b) A "performance period" shall be defined by the Committee at the time the performance cycle for the Award is established but shall generally begin on a January 1st of a calendar year and end on a December 31st of a succeeding calendar year (the "Performance Period").
- (i) The Committee may establish, in its sole discretion, one or more periodic performance measurement periods within a Performance Period (an "Interim Performance Period").
 - (ii) Any Interim Performance Period(s) commencement and end date(s), corresponding performance criteria and other relevant factors will be established to allow the Company to deduct to the full extent possible under Section 162(m) of the Code any compensation paid as a performance award against such pre-determined goals

(c) An Award is considered "earned" when the Committee certifies the Company's financial performance for the relevant performance period (an "Earned Award") which, with respect to Awards intended to qualify as Section 162(m) performance-based compensation, shall be consistent with the Section 162(m) Rules.

(d) **Settlement of Earned Awards.** At the end of a Performance Period, the Committee shall determine, in its sole discretion, the portion of the Earned Award that shall be distributed to each Eligible Person in cash and in shares of CVS Caremark common stock (the "Shares") based on the level of achievement of the relevant performance criteria.

Any Shares to be issued in connection with an Earned Award shall be issued pursuant to the 2010 ICP. The portion of the Earned Award payable in Shares shall be determined by dividing such portion of the Earned Award by the closing price of CVS Caremark stock ("FMV") on the date the Award is approved by the Committee, which shall be rounded down to the nearest whole share.

Subject to an Eligible Person's prior election to defer any or all of the Earned Award pursuant to Section 5, the cash and Shares payable in respect of an Earned Award will be paid to the Eligible Person as soon as practicable after the Earned Award is approved by the Committee and in no event later than March 15 following the completion of the relevant performance period. The Share portion of the Earned Award will be settled through the issuance to each Eligible Person of a certificate for Shares or such other method of transfer of Shares as may be made in accordance with prevailing Company practice.

5. **Deferral Elections**

In accordance with the rules promulgated by the Committee, an Eligible Person may elect to defer any or all of such Earned Award.

6. **Termination of Employment(a)** In the event an Eligible Person ceases to be employed by the Company and any subsidiary of the Company prior to the completion of a Performance Period due to an Eligible Person's voluntary termination of employment, or the termination of an Eligible Person by the Company for Cause, any Award granted but not yet earned for a Performance Period shall be forfeited. For this purpose, "Cause" shall be deemed to occur if the Eligible Person (A) willfully and materially breaches any of his or her obligations to the Company with respect to confidentiality, cooperation with regard to litigation, non-disparagement and non-solicitation; (B) is convicted of a felony involving moral turpitude; or (C) engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out Eligible Person's duties to the Company, resulting, in either case, in material harm to the financial condition or reputation of the Company.

(b) In the event an Eligible Person ceases to be employed by the Company and any subsidiary of the Company prior to the completion of a Performance Period by reason of death, any Award not yet earned in accordance with Section 4 shall be prorated pursuant to Paragraph 6(f) below.

(c) In the event an Eligible Person ceases to be actively employed by the Company and any subsidiary of the Company prior to the completion of a Performance Period due to an Eligible Person becoming totally and permanently disabled

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(as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration) while actively employed by Company or a subsidiary of the Company, an Award granted but not yet earned for a Performance Period shall be prorated pursuant to Paragraph 6(f) below.

(d) In the event an Eligible Person ceases to be employed by the Company and any subsidiary of the Company, due to a Termination by the Company without Cause (as defined above in Paragraph 6(a)) or a "Constructive Termination without Cause" (defined below), any Award granted but not yet earned for a Performance Period shall be prorated pursuant to Paragraph 6(f) below. "Constructive Termination without Cause" shall mean a termination of the Eligible Person's employment at his or her initiative as provided under the definition of either "Constructive Termination without Cause" or "Termination by Executive for Good Reason" set forth in the most recent Employment Agreement, as amended, Change in Control Agreement, or other comparable agreement, between the Company and the Eligible Person. If there is no such Agreement between the Company and the Eligible Person, then Constructive Termination without Cause shall have the same meaning for the Eligible Person as is defined for a similarly-situated Eligible Person in his or her Employment or Change in Control Agreement.

(e) In the event an Eligible Person's employment with the Company and any subsidiary of the Company terminates by reason of a "Qualified Retirement," an Award granted but not yet earned for a Performance Period shall be prorated pursuant to Paragraph 6(f) below. A "Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause. Notwithstanding the foregoing, in the event an Eligible Person is a party to an Employment Agreement with the Company, a Qualified Retirement shall be deemed to occur under this Section if the Eligible Person's termination of employment qualifies as a Normal Retirement or an Approved Early Retirement under such Employment Agreement.

(f) **Pro Rata**

(i) Subject to Paragraph 6(f)(ii), in the case of Paragraphs 6(b) and 6(c), the Award payable will be determined based on the Eligible Person's target award and, in the case of Paragraphs 6(d) and 6(e), the Award payable will be determined based on the Company's actual performance during the applicable Performance Period. The amount of the Award will be calculated by multiplying the Award amount (based on target or actual performance, as the case may be) by the following fraction: (A) the numerator shall be the number of whole months elapsed since the beginning of the Performance Period and (B) the denominator shall be the total number of months in the Performance Period. For purposes of this calculation, the number of months in the numerator in sub-section (A) shall include any partial month in which an Eligible Person has worked. Any payment to an Eligible Person under Paragraphs 6(b) and 6(c) shall be made within two and a half months of such death or disability, as the case may be, and any payment made under Paragraphs 6(d) and 6(e) will be made following completion of the performance period at the same time payment is made to other Eligible Persons in accordance with Paragraph 4(d).

(ii) Notwithstanding the foregoing and subject to compliance with Section 409A of the Code, the Committee may provide, in its sole discretion, that the amount payable following terminations described in Paragraphs 6(b) and 6(c) with respect to Awards subject to the Section 162(m) Rules will be determined based on the Company's actual performance during the applicable Performance Period and payable on the earlier of (i) the time payment is made to other Eligible Persons in accordance with Paragraph 4(d) and (ii) the Company's first taxable year when payment would not reasonably be anticipated to result in a loss of a tax deduction under the Section 162(m) Rules.

7. **Tax Withholding** The Company will withhold from an Eligible Person's Earned Award, subject to an Eligible Person's election to defer all or a portion of the Earned Award, all required federal, state and local payroll taxes, including Medicare taxes. If an Eligible Person's Social Security wages have not reached the Social Security maximum taxable wage base at the time the Earned Award is paid or Shares are delivered, Social Security taxes will also be withheld from the Award.

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If an Eligible Person elects to defer an Earned Award, the Company may require the Eligible Person to remit to the Company in advance of the actual deferral of such Earned Award, the required FICA withholding taxes, including Social Security and Medicare taxes, in order to ensure compliance with the Sarbanes-Oxley Act of 2002.

8. **Change in Control of the Company**

Upon the occurrence of a change in control of the Company, as defined in Section 10(c) of the 2010 ICP (a "Change in Control"), the performance criteria for any outstanding Performance Period shall be deemed to have been fully satisfied at target and all outstanding Awards under the Plan shall be deemed immediately non-forfeitable Earned Awards. Each Eligible Person shall receive the Target Award for each outstanding Performance Period to be paid as soon as administratively possible within two and a half months of the Change in Control, subject to all applicable Plan provisions and federal regulations governing payment of such Award(s), including but not limited to the Eligible Person's deferral elections, and Sections 162(m), 4999 and 409A of the Code.

9. **Recoupment of Awards**

Except as may be specifically provided in the Award, each Award under the Plan shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Eligible Person to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Plan.

10. **Miscellaneous**

(a) **Not a Contract of Employment.** The adoption and maintenance of the Plan shall not be deemed to be a contract of between the Company and an Eligible Person and shall not be consideration for the employment of an Eligible Person. Nothing contained herein shall be deemed to give an Eligible Person the right to be retained in the employ of the Company or to restrict the right of the Company to discharge an Eligible Person at any time nor shall the Plan be deemed to give the Company the right to require an Eligible Person to remain in the employ of the Company or to restrict an Eligible Person's right to terminate their employment at any time.

(b) **Non-Assignability of Benefits.** No Eligible Person, Beneficiary or distributees of benefits under the Plan shall have any power or right to transfer, assign, anticipate, hypothecate or otherwise encumber any part or all of the amounts payable hereunder, which are expressly declared to be unassignable and nontransferable. Any such attempted assignment or transfer shall be void. No amount payable hereunder shall, prior to actual payment hereof, be subject to seizure by any creditor or any such Eligible Person, Beneficiary or other distributees for the payment of any debt judgment or other obligation, by a proceeding at law or in equity, nor transferable by operation of law in the event of the bankruptcy, insolvency or death of such Eligible Person, Beneficiary or other distributees hereunder.

(c) **Amendment and Termination.** The Board may amend, alter, suspend, discontinue or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of Eligible Persons, except that without the consent of an affected Eligible Person, no such Board action may materially and adversely affect the rights of such Eligible Person under any previously granted and outstanding Awards.

The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award(s) previously granted, except as otherwise provided in the Plan, provided that, without the consent of an affected Eligible Person, no such Committee action may materially and adversely affect the rights of such Eligible Person under such Award(s).

(d) *Compliance with Legal and Other Requirements.* Notwithstanding any Plan provision to the contrary, the Committee may at any time impose such restrictions on the Plan and participation therein as the Committee may deem advisable from time to time in order to comply with or preserve compliance with any applicable laws, including any applicable federal and state securities laws and exemptions from registrations thereunder.

Further, to the extent it would not violate an applicable provision of Section 409A of the Code the Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of CVS Caremark stock or payment of other benefits under any Earned Award until completion of such registration or qualification of such stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which such stock are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Eligible Person to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

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(e) *Section 409A.* The Company intends that the Plan not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and the regulations and guidance thereunder (collectively, "Section 409A"), and that to the extent any provisions of the Plan do not comply with Section 409A the Company will make such changes as it deems reasonable in order to comply with Section 409A. In all events, the provisions of CVS Caremark Corporation's Universal 409A Definitions Document are hereby incorporated by reference, and notwithstanding to any other provision of the Plan or any Award to the contrary, to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code (requiring certain delays for "specified employees"), payment of any amounts subject to Section 409A shall be delayed until the first business day of the seventh (7th) month following the date of termination of employment. For purposes of any provision of the Plan providing for the payment of any amounts or benefits in connection with a termination of employment, references to an Eligible Person's "termination of employment" (and corollary terms) shall be construed to refer to the Eligible Person's "separation from service" with the Company as determined under Section 409A.

(f) *Adjustments.* In the event that any dividend or other distribution (whether in the form of cash, stock, or other property), re-capitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the stock such that an adjustment is appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust the number and kind of Shares of stock subject to or deliverable in respect of outstanding Awards.

(g) *Limitation on Rights Conferred by Awards Granted under Plan.* Neither the Plan nor any action taken under the Plan shall be construed as conferring on an Eligible Person any of the rights of a shareholder of CVS Caremark until the Eligible Person is duly issued or transferred Shares in accordance with the terms of an Earned Award.

(h) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to an Eligible Person or obligation to deliver stock pursuant to an Award, nothing contained in any Award shall give any such Eligible Person any rights that are greater than those of a general creditor of CVS Caremark, provided that the Committee may authorize the creation of trusts and deposit therein cash, stock, other awards or other property, or make other arrangements to meet CVS Caremark's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Eligible Person.

11. Governing Law

The validity, construction and effect of the Plan, and any rules and regulations under the Plan shall be determined in accordance with Delaware law, without giving effect to principles of conflicts of laws and applicable federal law.

2013 LTIP Plan Document

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Partnership Equity Program

Revised August 2013

Partnership Equity Program

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I. Purpose and Status of the PEP. The Partnership Equity Program (the "PEP") has been adopted by the Management Planning & Development Committee ("Committee") of the Board of Directors of CVS Caremark Corporation (the "Company"), as a subplan implemented under the Company's 2010 Incentive Compensation Plan (the "2010 ICP"). The purpose of the PEP is to promote a partnership between the participating executive and the Company through a mutual commitment based on ownership of a proprietary interest in the Company. This is accomplished through an investment by the participating executive in the Company's common stock and an award by the Company of restricted stock units and stock options. All shares of Stock (as hereinafter defined) issued or delivered in settlement of Participant Purchased RSUs (as hereinafter defined) and Company Matching RSUs (as hereinafter defined) under the PEP or issued upon exercise of Company Matching Options (as hereinafter defined) granted under the PEP shall be shares of Stock reserved and available under the 2010 ICP. All of the terms and conditions of the 2010 ICP are hereby incorporated by reference. Capitalized terms used in the PEP but not defined herein shall have the same meanings as defined in the 2010 ICP. If any provision of the PEP is inconsistent with a provision of the 2010 ICP, the provision of the 2010 ICP shall govern.

II. Eligibility. The Committee shall determine and approve, in its sole discretion, the executives eligible to participate in the PEP.

III. Definitions.

- A. "Award" means any Participant's investment, Company Matching RSUs, and Company Matching Options granted to a Participant under the PEP.
- B. "Beneficiary" has the same meaning as the definition in the 2010 ICP.
- C. "Board" means the Company's Board of Directors.
- D. "Change in Control" means Change in Control as defined in the 2010 ICP.
- E. "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.
- F. "Company Matching Option" means a right granted to a Participant under Section VIII of the PEP and 6(b) of the 2010 ICP to purchase Stock at a specified price during a specified time period.
- G. "Company Matching RSU" refers to a RSU granted by the Company pursuant to which the Participant has a right to receive, at the time of settlement specified in the PEP, the value of one share of Stock.
- H. "Eligible Participant" means an employee of the Company or of any subsidiary who is selected to have an opportunity to participate in the PEP.

I. "Fair Market Value" or "FMV" means the fair market value of the Stock as determined by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value shall be the closing price of a share of Stock, as quoted on the composite transactions table on the New York Stock Exchange, on the date on which the determination of Fair Market Value is being made.

J. "Grant Date" means the date an Award is granted, as approved by the Committee.

K. "Grant Price" means the Fair Market Value of a share of Stock of the Company on the Grant Date, as approved by the Committee.

L. "Participant" means an Eligible Participant who has been granted an Award that remains outstanding under the PEP.

M. "Participant Purchased RSUs" means the number of RSUs credited to a designated account representing a Participant's pre-tax investment in the PEP.

N. "Participant Purchased Shares" means number of shares of Stock credited to a designated account representing a Participant's post-tax investment in the PEP.

O. "Post-Tax Investment Date" means the date on which the Participant purchases Stock in the PEP on a post-tax basis.

P. "RSU" means a restricted stock unit granted under Sections VII and VIII of the PEP and Section 6(d) of the 2010 ICP in each case that represents a right to receive the value of a share of Stock upon the terms and conditions set forth in the PEP, the 2010 ICP and the applicable Award agreement.

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Q. "Stock" means the Company's common stock, \$0.01 par value, and such other securities as may be substituted for Stock pursuant to Section 11 (c) of the 2010 ICP.

IV. Administration.

(A) **Authority of the Committee.** The PEP shall be administered by the Committee. The Committee shall have full and final authority, in each case subject to and consistent with the provisions of the PEP, to select Eligible Participants, grant Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award agreements (which need not be identical for each Participant) and rules and regulations for the administration of the PEP, construe and interpret the PEP and Award agreements and correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the PEP. The Committee, in its sole discretion, may waive the forfeiture provisions applicable to any Participant Purchased RSUs or Company Matching RSUs, provided that those RSUs shall be settled at the same time that they would otherwise have been settled if they had vested in due course under the terms of the PEP and the applicable Award.

(B) **Manner of Exercise of Committee Authority.** The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. To the extent permitted by applicable law, the Committee may delegate to officers or managers of the Company or any subsidiary, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine. The Committee may appoint agents to assist it in administering the PEP.

(C) **Limitation of Liability.** The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any Participant officer, other officer or employee of the Corporation or a subsidiary, the Company's independent auditors, consultants or any other agents assisting in the administration of the PEP. Members of the Committee and any officer or employee of the Company or a subsidiary acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to the PEP, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

V. **Award.** Upon approval by the Committee, an Eligible Participant shall be notified that he or she has been selected to receive an Award, contingent upon the Eligible Participant's decision to invest in the PEP by completion of a PEP participant election form (an "Election Form"). The Award will stipulate the Grant Date and the amount the Eligible Participant may invest in the PEP.

VI. **Participation.** On or before the Grant Date, the Eligible Participant shall be provided an Election Form to indicate (A) the dollar amount to be invested; and (B) the form of participation by the Eligible Participant. In order to become a Participant in the PEP, the Eligible Participant must return the executed Election Form to the Company within the time period designated on such form.

VII. **Form of Participation.** At the determination of the Committee, an Eligible Participant may invest in the PEP in one or in a combination of the following:

(A) **Participant Purchased RSUs.** On a pre-tax basis by electing to use cash payable to the Participant by the Company to invest in Participant Purchased RSUs, with such investment to occur on the Grant Date (Participant shall pay all applicable FICA taxes on the total dollar value of such pre-tax investment). The Company shall establish and maintain for each Participant an account on its stock administration system for purposes of tracking and administering the Participant Purchased RSUs.

Upon receipt by the Company from the Participant of a commitment to invest an amount in the PEP on a pre-tax basis as set forth on an Election Form, as of the Grant Date the Company will credit to the Participant's account an amount of Participant Purchased RSUs, as follows:

(i) The initial number of Participant Purchased RSUs shall be equal to the Participant's elected investment amount divided by the Fair Market Value of the Stock as of the Grant Date, rounded up to the next whole number of shares.

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(ii) Each Participant Purchased RSU represents a right to receive, at the time of settlement specified in the PEP, the value of one share of Stock.

(iii) Participant Purchased RSUs are non-transferable.

(B) **Participant Purchased Shares.** On an after-tax basis by designating Stock as follows:

(i) Designation by the Participant of Stock that the Participant owns as Participant Purchased Shares, with such designation as provided on the completed Election Form. The number of shares of Stock designated by the Participant as Participant Purchased Shares shall have a total Fair Market Value as of the Grant Date at least equal to the amount of the approved investment amount set forth in the Award.

(ii) Purchase of Stock by the Participant to be designated as Participant Purchased Shares, with such purchase and investment in the PEP to occur within thirty (30) days of the Grant Date.

The number of shares of Stock purchased by the Participant shall have a total Fair Market Value as of the purchase date at least equal to the investment amount set forth in the applicable Election Form (or, if applicable, at least equal to the difference between the Fair Market Value of the shares of Stock designated by the Participant under Section VII (B) (i) and the investment amount).

b. The Participant is responsible for the payment of any brokerage fees associated with the purchase of Stock for this purpose.

Under no circumstance may a Participant designate as Participant Purchased Shares any shares not actually owned by the Participant, including shares that are held in any other deferred compensation program sponsored by the Company or any prior employer of the Participant or any shares of Stock that are held in a qualified defined contribution plan as defined by the Code.

In all cases, the Participant shall maintain an account administered by a brokerage firm to hold the Participant Purchased Shares. The Participant is required to demonstrate, on a semi-annual basis and in the form required by the Company, that he or she has maintained ownership of such designated Participant Purchased Shares throughout the required ownership period.

VIII. **Company Matching Investments.** The Company shall establish and maintain for each Participant an account on its stock administration system for purposes of tracking and administering the Company Matching RSUs and Company Matching Options. As of the Grant Date, the Company shall make a matching Award to the Participant as described below.

(A) **Company Matching RSUs.** The Company Matching RSUs are non-transferable, shall be equal in number to the total Participant Purchased RSUs or to the Participant's investment amount divided by the Fair Market Value as of the Grant Date, and shall be credited to the Participant's account as of the Grant Date.

(B) **Company Matching Option.** The Company Matching Option is non-transferable and shall comprise an option to purchase a number of shares of Stock equal to ten (10) times the number of Company Matching RSUs and shall be credited to the Participant's account as of the Grant Date.

IX. **Restrictions on Disposition of Participant Purchased Shares.** Participant Purchased Shares are not subject to restriction on transfer, withdrawal, or other dispositions, except that if the Participant transfers, withdraws, sells or otherwise disposes of Participant Purchased Shares prior to the earlier of the fifth (5th) anniversary of the Grant Date or the date of the settlement of the Company Matching RSUs

relating to Participant Purchased Shares, the Participant will immediately forfeit the number of Company Matching RSUs (including additional Company Matching RSUs acquired as a result of dividend reinvestment, as described below) and all or a portion of the Company Matching Options, in each case granted in respect of the Purchased Shares disposed of, determined as follows: such Participant shall forfeit the Company Matching Option to purchase ten (10) shares for each Participant Purchased Share so disposed of, except that only the portion of the Company Matching Option that is not yet exercisable shall be forfeited.

X. **Dividends.** To the extent that dividends are declared on Stock as of a record date on which Participant Purchased RSUs or Company Matching RSUs remain outstanding and prior to the Settlement Date (as defined below), the Company shall credit as of the dividend payment date, a number of additional Participant Purchased RSUs or Company Matching RSUs to the Participant's account, which shall be determined by multiplying (i) the amount of

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cash actually paid by the Company as a dividend per share of Stock by (ii) the number of Participant Purchased RSUs and Company Matching RSUs credited to the Participant's account as of the record date and dividing the product by (iii) the FMV per share of Stock on the dividend or dividend equivalent payment date; provided, however, that such additional Participant Purchased RSUs and Company Matching RSUs shall be subject to the same terms and conditions (including vesting) as the underlying award. As necessary to reflect dividend equivalents, a Participant's RSUs account will include fractional Stock units calculated to not less than three decimal places.

XI. **Vesting and Settlement of Participant Purchased RSUs and Company Matching RSUs.** Except as provided under Section XIII, Company Matching RSUs not previously forfeited shall vest on the fifth anniversary of the Grant Date. Participant Purchased RSUs and Company Matching RSUs shall settle on the fifth anniversary of the Grant Date.

(A) Pursuant to the rules promulgated by the Committee, the Participant may make a prior election to defer settlement of Participant Purchased RSUs and Company Matching RSUs.

(B) Absent a valid prior election by the Participant to defer settlement of the Stock subject to the Participant Purchased RSUs and Company Matching RSUs, the settlement and delivery of the Stock shall occur as promptly as practicable, but in any case within fifteen (15) days, following the fifth anniversary of the Grant Date (the "Settlement Date"). On the Settlement Date, the Company shall deliver to the Participant one share of Stock for each Participant Purchased RSU and Company Matching RSU; provided, however, that at the Settlement Date the number of shares of Stock to be delivered by the Company to the Participant shall be reduced by the smallest number of shares of Stock having a FMV at least equal to the dollar amount of Federal, state or local tax withholding required to be withheld by the Company with respect to such Participant Purchased RSUs and Company Matching RSUs on such date. In lieu of having the number of shares of Stock underlying the Participant Purchased RSUs and Company Matching RSU reduced, the Participant may elect to pay the Company for any amounts required to be withheld by the Company in connection with the settlement of the Participant Purchased RSUs and Company Matching RSUs pursuant to the Agreement. Such election may be made electronically at any time prior to the Settlement Date.

If the settlement includes any fractional share of Stock the Company may instead pay cash in lieu of delivery of a fractional share, on such basis as the Committee may determine. Upon settlement, all obligations of the Company in respect of Participant Purchased RSUs and Company Matching RSUs will be terminated, and the shares of Stock so distributed will no longer be subject to any risk of forfeiture or restriction under the PEP.

The settlement of Participant Purchased RSUs and Company Matching RSUs shall be subject to the settlement timing provisions of Section XIV(C)(x) of the PEP.

XII. Options to Purchase Common Stock.

(A) **Grant of Option.** A Participant shall be granted a Company Matching Option in accordance with VIII (B) of the PEP.

(B) **Exercise Price.** The exercise price per share of Stock under a Company Matching Option shall be the FMV on the Grant Date, unless otherwise determined by the Committee, provided that in no event will the exercise price be less than the FMV of a share of Stock on the Grant Date.

(C) **Vesting and Method of Exercise.** Unless otherwise determined by the Committee, Company Matching Options will vest as to one-third of the underlying shares of Stock on each of the third, fourth and fifth anniversaries of the Grant Date; provided, however, that the exercisability of said Company Matching Option may be accelerated in accordance with the provisions of the PEP. To the extent vested, a Company Matching Option may be exercised in whole or in part, from time to time, all subject to the limitations on exercise set forth in this Section XII. An exercise shall be accomplished in accordance with Section 6(b) of the 2010 ICP. At the time of exercise, the exercise price of the number of shares as to which the Company Matching Option is being exercised shall be tendered to the Company. The exercise price of such Company Matching Option shall be paid in cash or by check or by surrender to the Company of shares of Stock (valued at their FMV as of the date of exercise) already owned by the Participant, other than shares acquired from the Company by exercise of an option during the preceding six months, or by a combination of cash, check, and surrender of such shares.

(D) **Expiration.** The Company Matching Option, to the extent it has not been exercised or previously terminated due to forfeiture, shall expire on the tenth (10th) anniversary of the Grant Date.

XIII. **Termination of Employment.** Except as provided below in this Section XIII, if, for any reason, a Participant's employment with the Company and any subsidiary of the Company terminates prior to the fifth anniversary of the

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Grant Date, all Company Matching RSUs and all Company Matching Options not yet exercised shall be immediately forfeited as of Participant's employment termination date. For purposes of this section, "Cause" shall have the same meaning as defined in the Company's standard change in control agreement. Participant's transfer of employment from the Company to a subsidiary, from a subsidiary to the Company or from one subsidiary to another subsidiary shall not be considered a termination of employment.

(A) **Termination of Participant's Employment without Cause.** (i) In the event that a Participant's employment with the Company and its subsidiaries terminates and the Participant receives severance pay, the Participant's Award shall be treated as follows:

- (a) Participant Purchased Shares shall no longer be subject to any transfer or sale restrictions;
- (b) any Participant Purchased RSUs not vested at the time of Participant's employment termination date but scheduled to vest during the severance period specified in the agreement providing for severance pay shall vest and settle in accordance with the regular schedule set forth in the applicable Award;
- (c) any Company Matching RSUs and Company Matching Options not vested at the time of Participant's employment termination date but scheduled to vest during the severance period specified in the agreement providing for severance pay shall vest and settle in accordance with the regular schedule set forth in the applicable Award; and
- (d) any Company Matching RSUs and Company Matching Options not scheduled to vest during the specified severance period shall be forfeited as of the Participant's employment termination date. To the extent vested, Company Matching Options shall be exercisable at any time during the severance period and on or before the ninetieth (90th) day following the last day of the severance period, as long as no government regulations or rules are violated by such continued vesting or exercise period; provided, however, that no Company Matching Option will be exercisable beyond its original term.

(ii) The Committee shall have the authority, in its sole discretion, to make any interpretations, determinations, and/or take any administrative actions with respect to whether any post-termination payments to the Participant shall be deemed severance pay, the duration of any severance period, and/or whether a termination was without Cause.

(B) **Retirement of Participant.** "Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if the Participant elects to terminate his or her employment voluntarily, the Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate the Participant's employment, then such termination is without cause. As of the Participant's retirement date, any Participant Purchased Shares shall no longer be subject to any transfer or sale restrictions, and any Participant Purchased RSUs shall vest in full. The Participant may exercise his or her vested Company Matching Option during the two-year period following the retirement date; any portion of the Company Matching Option which is not vested as of the retirement date shall be forfeited by the Participant as of the retirement date. Any Company Matching RSU that is not vested as of the retirement date shall be forfeited by the Participant. In the event the Participant's termination of employment qualifies as a Qualified Retirement and the Participant also enters into a severance agreement with the Company, the terms of Section XIII(A) shall apply with respect to the vesting and settlement of Participant Purchased RSUs, Company Matching RSUs and Company Matching Options.

(C) **Disability of Participant.** In the event a Participant ceases to be employed by the Company, or any subsidiary of the Company, by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration), any Participant Purchased Shares or Participant Purchased RSUs shall be vested and no longer subject to any transfer or sale restrictions. In addition, any Company Matching RSUs shall be vested and be settled and any Company Matching Option shall vest and be exercisable, in each case on a pro rata basis in accordance with the Award in effect for the Participant. Notwithstanding

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the foregoing, a Participant shall be deemed to have ceased employment due to a qualifying disability under this Section XIII (C) only if at the time of such cessation of employment the Participant is disabled within the meaning of Section 409A of the Code pursuant to the regulations thereunder.

(D) **Death of Participant.** In the event of a Participant's death while employed by the Company or one of its subsidiaries, any Participant Purchased Shares or Participant Purchased RSUs shall be vested and no longer subject to any transfer or sale restrictions. In addition, all Company Matching RSUs shall vest and be settled and Company Matching Options shall become

immediately vested in full. The Company Matching Option may be exercised up to one (1) year following the Participant's death, or prior to the Company Matching Option expiration date, whichever occurs first, by the Participant's executor, administrator, personal representative or any person or persons who acquired the Company Matching Option directly from the Participant by bequest or inheritance. At the end of said one-year time period, all rights with respect to any Company Matching Option that is unexercised shall terminate and the unexercised Company Matching Option shall be cancelled.

(E) Change In Control. In the event of a Termination Without Cause or a Constructive Termination Without Cause, in each case within the two-year period following a Change in Control, any Participant Purchased Shares or Participant Purchased RSUs shall be vested and no longer subject to any transfer or sale restrictions. In addition, all of the Participant's outstanding Company Matching RSUs shall vest and be settled and Company Matching Options that are not then vested will become immediately vested and exercisable. All other terms and conditions governing such Company Matching RSUs, Participant Purchased RSUs and Company Matching Options will be subject to the provisions of the Company's 2010 ICP.

(F) Coordination of Provisions. Notwithstanding anything to the contrary above, to the extent that the circumstances of the termination of a Participant's employment are within the description of more than one of the subparagraphs above in this Section XIII, each portion of a Participant's or Company Matching RSUs in respect of which they were credited. No such additional Company Matching RSUs will be credited to the Participant's account in respect of Company Matching RSUs forfeited on or before the record date Matching RSUs for the dividend, distribution, or split, or Company Matching RSUs, Company Matching RSUs and Company Matching Options, as applicable. Option under any Award shall be entitled to the more is therefore permitted to continue to vest in one or more installments of a Participant Purchased RSU or Company Matching RSU Award pursuant to Section XIII (A), such installments shall continue to be subject to settlement only after the vesting date originally applicable to such installments and during the settlement period set forth above in this Section XIV (C). In the event that the Committee exercises its sole discretion to waive the forfeiture provisions applicable to any Participant Purchased RSUs or Company Matching RSUs, those RSUs shall be settled at the same time that they would otherwise have been settled if they had vested in due course under the terms of the PEP and the the Participant's applicable Award. Notwithstanding the foregoing or any other provision of the PEP or any Award to the contrary, to the extent necessary to comply with the requirements of Section 409A of the Code, any settlement amounts to which a Matching RSU Participant may become entitled under the PEP, which are subject to Section 409A of the Code (and not otherwise or Company exempt from its application), that are payable within six months following the date of termination will be withheld until Matching the first business day of the seventh (7th) month following the date of termination. To the extent any provisions of the Option under PEP or any RSU does not comply with Section 409A of the Code, the Company and any affected Participant will make the provisions such changes with respect to such RSU as are mutually acceptable in order to comply with Section 409A of the Code. of this Section XV. Recoupment Policy. Except as may be specifically provided in the Award agreement, each Award under the PEP XIII. Forshall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the example, if a Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting an Award under the PEP, Participant acknowledges that the Company's Recoupment Policy has been made available for the Participant's reference. Participant qualifies as Retiree at the time of the Participant's termination of employment but the Participant receives severance in connection with the Participant's termination as described in Section XIII (A), the Participant's unvested Matching RSUs shall continue to vest during the applicable severance period and any portion of the Company Matching Option that vests during the severance period shall be

(G) In any case, the settlement XIV.

General Provisions.

(A) Stock Dividends and Stock Splits. If the Company declares of Participant and pays a dividend or distribution in the form of Stock payable on Stock, or Purchased if there is a stock split of the Stock, and the record date is prior to the RSUs and Settlement Date of Participant Purchased and/or Company Matching RSUs, Company the Company shall credit, as of the dividend payment date, distribution, or Matching split, a number of additional Participant Purchased RSUs and Company RSUs Matching RSUs, as the case may be, to the Participant's account equal to the shall be number of shares of Stock paid as a dividend or distribution per share of subject to Stock or distributed as a result of the split per share of Stock multiplied by the the number of Participant Purchased RSUs and Company Matching RSUs, as the settlement case may be, credited to the Participant's account at the record date.

(B) Treatment of Additional Participant Purchased RSUs and provisions Company Matching RSUs Resulting from Dividends or Splits. Additional of Section Participant Purchased RSUs or Company Matching RSUs will be subject to XIV(C) the same terms, including the risk of forfeiture in the case of Company (ix) of the Matching RSUs, as the Participant Purchased RSUs PEP.

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(C) Other Terms. The following terms and provisions will be applicable to Participant Purchased Shares or RSUs, Company Matching RSUs and Company Matching Options, as applicable.

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the more is therefore permitted to continue to vest in one or more installments of a Participant Purchased RSU or Company Matching RSU Award pursuant to Section XIII (A), such installments shall continue to be subject to settlement only after the vesting date originally applicable to such installments and during the settlement period set forth above in this Section XIV (C). In the event that the Committee exercises its sole discretion to waive the forfeiture provisions applicable to any Participant Purchased RSUs or Company Matching RSUs, those RSUs shall be settled at the same time that they would otherwise have been settled if they had vested in due course under the terms of the PEP and the the Participant's applicable Award. Notwithstanding the foregoing or any other provision of the PEP or any Award to the contrary, to the extent necessary to comply with the requirements of Section 409A of the Code, any settlement amounts to which a Matching RSU Participant may become entitled under the PEP, which are subject to Section 409A of the Code (and not otherwise or Company exempt from its application), that are payable within six months following the date of termination will be withheld until Matching the first business day of the seventh (7th) month following the date of termination. To the extent any provisions of the Option under PEP or any RSU does not comply with Section 409A of the Code, the Company and any affected Participant will make the provisions such changes with respect to such RSU as are mutually acceptable in order to comply with Section 409A of the Code.

of this Section XV. Recoupment Policy. Except as may be specifically provided in the Award agreement, each Award under the PEP XIII. Forshall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the example, if a Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting an Award under the PEP, Participant acknowledges that the Company's Recoupment Policy has been made available for the Participant's reference.

Participant qualifies as

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Retiree at the time of the Participant's termination of employment but the Participant receives severance in connection with the Participant's termination as described in Section XIII (A), the Participant's unvested Matching RSUs shall continue to vest during the applicable severance period and any portion of the Company Matching Option that vests during the severance period shall be

CVS CAREMARK SEVERANCE PLAN FOR NON-STORE EMPLOYEES (Amended as of April 1, 2013)

exercisable on or before the ninetieth (90th) day following the last day of the severance period, while any portion of the Participant's Matching Company Option that vests as of the Retirement Date may be exercised during the two-year period following the Retirement Date. Similarly, by way of example, if a Participant experiences a termination of employment due to disability following a Change in Control, the treatment described in Section XIII (E) shall apply to the Participant's Awards to the extent that such treatment is more favorable to the Participant than the treatment applicable under Section XIII (C).

(i) Adjustments. Participant Purchased Shares or RSUs, Company Matching RSUs, and Company Matching Options, and the terms and conditions relating thereto, shall be subject to adjustment in accordance with applicable sections of the 2010 ICP.

(ii) Nontransferability. Participant Purchased Shares or RSUs, Company Matching RSUs, Company Matching Options, and all rights relating thereto, shall not be transferable or assignable by a Participant, other than by will or the laws of descent and distribution (or pursuant to a beneficiary designation if and to the extent authorized by the Committee), and shall not be pledged, hypothecated, or otherwise encumbered in any way or subject to execution, attachment, or similar process, and any such attempt to transfer such rights shall be considered null and void by the Company.

(iii) Certain Other Terms.

Additional terms applicable to Awards under the PEP are set forth in the 2010 ICP.

(iv) No Partnership Rights or Rights to Participate. A Participant's participation in the PEP, as an investment in the CVS Caremark Participant Severance Plan for Non-Purchased Store Employees (the "Plan") Shares or RSUs, and assistance to employees in grant of non-store positions who are Award involuntarily terminated and under the PEP confers no rights as a partner of a partnership. No Participant the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that claim to the Plan constitute a participate separation pay plan within the scope of Department of Labor ("DOL") Regulation 2510.3-2(b), and that the Plan be deductible by the Committee, Company under Section 162(a) of the Internal Revenue Code of 1986, as amended (the "Code");

CVS CAREMARK CORPORATION SEVERANCE PLAN FOR NON-STORE EMPLOYEES (Amended as of April 1, 2013)

WHEREAS, CVS Caremark Corporation (the "Company") has established the CVS Caremark Participant Severance Plan for Non-Purchased Store Employees (the "Plan") to provide financial assistance to employees in grant of non-store positions who are Award involuntarily terminated and under the PEP confers no rights as a partner of a partnership. No Participant the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that claim to the Plan constitute a participate separation pay plan within the scope of Department of Labor ("DOL") Regulation 2510.3-2(b), and that the Plan be deductible by the Committee, Company under Section 162(a) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, it is intended that the Plan constitute an employee welfare benefit plan within the scope of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that claim to the Plan constitute a participate separation pay plan within the scope of Department of Labor ("DOL") Regulation 2510.3-2(b), and that the Plan be deductible by the Committee, Company under Section 162(a) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the benefits provided under the Plan are intended to constitute separation pay within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(iii);

WHEREAS, this document is the official plan document; and

WHEREAS, the Company wishes to make certain amendments to the Plan, effective as of April 1, 2013 (the "Effective Date");

NOW, THEREFORE, as of the Effective Date, the Company does hereby amend the Plan to provide as follows:

**ARTICLE I
DEFINITIONS**

For purposes of the Plan, the following terms, when used with an initial capital letter, shall have the meaning set forth below unless a different meaning is plainly required by the context.

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| <p>(vi) Limitation on Repurchase Obligation. All repurchases of Stock permitted to occur in the ordinary course pursuant to the terms established under the PEP are intended to qualify for the exemption from Section 16 (b) of the Exchange Act pursuant to Rule 16b-3 (c) promulgated under the Exchange Act and, accordingly, such repurchases are authorized to occur with respect to all Awards under the PEP unless and until the repurchase rights and obligations relating to an Award are explicitly revoked by the Committee.</p> | <p>(vii) Agreements and Other Documents. The Committee shall specify agreements or other documents to evidence rights and obligations under the PEP. A form of agreement that may be used to evidence rights and obligations relating to Participant Purchased Shares and/or RSUs, Company Matching RSUs and Company Matching Options shall be provided to each Participant.</p> | <p>(viii) Governing Law. The validity, construction, and effect of the PEP, any rules and regulations and any award agreements or related documents hereunder shall be determined in accordance with the Delaware General Corporation Law, without giving effect to principles of conflicts of laws and applicable federal law.</p> | <p>(ix) Section 409A- Compliance. The Participant Purchased RSUs and Company Matching RSUs termination of an Eligible Employee's under the PEP employment because of the Eligible Employee's (a) poor performance; (b) acts of unethical business activity, nonqualified including but not limited to fraud, misappropriation, embezzlement, dishonesty, harassment, discrimination awards which in violation of Employer policies, or willful or negligent destruction of property of an Employer or an Affiliate; (c) misconduct that is reasonably likely to cause material damage (monetary or otherwise) to the Employer, an Affiliate, or any personnel thereof; (d) conviction of or a plea of guilty or nolo contendere to any felony, whether or not any right to appeal has been or may be exercised; under the terms of the PEP as of the Grant Date, the Employer's policy, procedure, or practice.</p> <p>1.1 "Affiliate" shall mean (a) any corporation which is required to be aggregated with the Company under Code Section 414(b), (c), (m), or (o) and (b) any other entity in which the Company has an ownership interest and which the Company designates as an Affiliate for purposes of the Plan.</p> <p>1.2 "Cause" shall refer to a termination of an Eligible Employee's employment because of the Eligible Employee's (a) poor performance; (b) acts of unethical business activity, nonqualified including but not limited to fraud, misappropriation, embezzlement, dishonesty, harassment, discrimination awards which in violation of Employer policies, or willful or negligent destruction of property of an Employer or an Affiliate; (c) misconduct that is reasonably likely to cause material damage (monetary or otherwise) to the Employer, an Affiliate, or any personnel thereof; (d) conviction of or a plea of guilty or nolo contendere to any felony, whether or not any right to appeal has been or may be exercised; under the terms of the PEP as of the Grant Date, the Employer's policy, procedure, or practice.</p> <p>1.3 "Code" shall mean the Internal Revenue Code of 1986, as amended.</p> <p>2</p> <p>1.4 "Eligible Employee" shall mean an individual who is employed by the Employer on a regular basis in a non-store position, has been employed by the Employer in any position for a minimum of twelve (12) months prior to the individual's separation of employment, and is designated as eligible for severance benefits, as determined in the sole discretion of the Employer, due to a qualifying separation from service. For purposes of the Plan, individuals in the following categories will not be considered Eligible Employees:</p> <p>(a) individuals who are covered by a collective bargaining agreement, provided welfare benefits were the subject of good faith bargaining, unless the terms of the collective bargaining agreement provide for participation in the Plan;</p> <p>(b) individuals who are seasonal employees, leased employees, independent contractors, temporary employees, or consultants;</p> <p>(c) individuals who work for the Employer or an Affiliate in a store location of the Company or an Affiliate, or whose compensation is paid through or according to a store payroll, including but not limited to: pharmacists, store managers, assistant store managers, crew, and pharmacy staff (for purposes of the Plan, as distribution warehouse employees, field employees (e.g., district managers, regional managers, human resources), and employees employed by CVS ProCare, Inc., working at</p> |
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termination of (e) the President and CEO of
employment CVS Caremark Corporation;
and is granted
severance and

(g) individuals employed outside the United States of America.

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provided Severance Pay for Non-exempt employees should not exceed the Eligible Employee's Weekly Rate multiplied by thirteen (13);

(ii) For Eligible Exempt Employees in grades 24-28, H-K, and 107-109:

(A) the Eligible Employee's Weekly Rate multiplied by four (4), plus,

(B) an amount equal to the Eligible Employee's Weekly Rate multiplied by the number of Years of Service completed by the Eligible Employee multiplied by two (2).

provided Severance Pay for Exempt Employees should not exceed the Eligible Employee's Weekly Rate multiplied by twenty (20);

(iii) For Eligible Exempt Employees in grades 29-33, L, M, 110, and 111, the greater of (A) the Eligible Employee's Weekly Rate multiplied by thirteen (13) or, (B) the amount determined under the formula set forth in Paragraph (ii) of this Subsection (b), provided Severance Pay should not exceed the Eligible Employee's Weekly Rate multiplied by twenty (20);

(iv) For Eligible Exempt Employees in grades 34-36, N, and 112, the Eligible Employee's Weekly Rate multiplied by twenty-six (26);

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(v) For Eligible Exempt Employees in grades 36A-Z, the Eligible Employee's Weekly Rate multiplied by fifty-two (52); and

(vi) For Eligible Exempt Employees in grades 38A-Z and 39 A-Z, the Eligible Employee's Weekly Rate multiplied by fifty-two (52).

Notwithstanding the above guidelines, in the event of an Involuntary Termination of an Eligible Employee who is an RxAmerica Legacy Employee, Severance Pay shall be determined by the Plan Administrator in its sole discretion, using the following guidelines for the applicable Rx America Legacy Employee classification:

(1) For Rx America Legacy Employees who are Non-exempt Employees, the greater of (A) the RxAmerica Legacy Employee's Weekly Rate multiplied by the number of Years of Service, or (B) the RxAmerica Legacy Employee's Weekly Rate multiplied by eight (8);

(2) For RxAmerica Legacy Employees who are Exempt Employees, the greater of (A) the RxAmerica Legacy Employee's Weekly Rate multiplied by the number of Years of Service, or (B) the RxAmerica Legacy Employee's Weekly Rate multiplied by twelve (12);

(3) For RxAmerica Legacy Employees who are classified by the Employer (in its sole discretion) as a Manager or in an equivalent position, the greater of (A) the RxAmerica Legacy Employee's Weekly Rate multiplied by the number of Years of Service, or (B) the RxAmerica Legacy Employee's Weekly Rate multiplied by twenty-six (26);

(4) For RxAmerica Legacy Employees who are classified by the Employer (in its sole discretion) as a Director or in an equivalent position, the greater of (A) the Eligible Legacy Employee's Weekly Rate multiplied by the number of Years of Service, or (B) the RxAmerica Legacy Employee's Weekly Rate multiplied by thirty-nine (39);

(5) For RxAmerica Legacy Employees who are classified by the Employer (in its sole discretion) as a Vice President or Group Vice President or in an equivalent position, the greater of (A) the RxAmerica Legacy Employee's Weekly Rate multiplied by the number of Years of Service, or (B) the RxAmerica Legacy Employee's Weekly Rate multiplied by fifty-two (52); and

(6) For RxAmerica Legacy Employees who are classified by the Employer (in its sole discretion) in a position that is higher than Vice President or Group Vice President, such other amount determined in the sole discretion of the Plan Administrator.

Notwithstanding the above guidelines, the Plan Administrator may increase or decrease the amount of Severance Pay with respect to any Eligible Employee for reasons it deems appropriate in its sole discretion (including, but not limited to, an increase to provide consideration for Eligible Employees who have outstanding employment agreements with an Employer or a decrease to take into account any debts owed to an Employer).

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(c) COBRA Assistance. In the event an Eligible Employee who has an Involuntary Termination (i) is eligible to elect continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 as amended ("COBRA") in accordance with the terms of the medical and prescription drug plan and/or dental plan of the Employer and (ii) properly and timely elects such continuation coverage, the Employer may pay for a portion of the cost of COBRA coverage equivalent to the contribution which the Employer makes on behalf of similarly situated active employees under such plan for the appropriate tier of coverage selected and in place immediately prior to the date of the Eligible Employee's Involuntary Termination (e.g., employee-only, family coverage), for a period determined in the sole discretion of the Plan Administrator, which generally shall be the Severance Period. Any COBRA assistance provided under this Subsection (c) shall be paid by the Employer directly to the insurance carrier, if applicable. The portion of the COBRA premium not covered by the COBRA assistance specified in this Subsection (c) must be paid by the Eligible Employee directly to the insurance carrier or service provider that administers COBRA, as applicable, based on the standard rules under the respective plan for payment of COBRA premiums. This Subsection (c) does not provide COBRA assistance in the event the Eligible Employee fails to properly and timely elect COBRA continuation coverage, regardless of whether his or her covered dependents elect COBRA continuation coverage. Notwithstanding the foregoing, for an Eligible Employee who is an RxAmerica Legacy Employee eligible to elect COBRA continuation coverage in accordance with the terms of the medical and prescription drug plan and/or dental plan, the Employer may, in the sole discretion of the Plan Administrator, pay for COBRA assistance, generally in the form of a single lump sum payment equal to the weekly COBRA premium (102 percent of the applicable premium, as defined in Code Section 4980B(f)(4)) for the Severance Period, based on the tier of coverage in which the RxAmerica Legacy Employee is enrolled as of the date of his or her Involuntary Termination.

(d) Outplacement Services. Upon an Involuntary Termination, the outplacement services provided to an Eligible Employee shall be provided in the sole discretion of the Plan Administrator based on the guidelines contained in this Subsection (d).

(i) If an Eligible Employee so desires, he or she may be eligible for outplacement services for assistance in obtaining new employment, provided through a vendor selected by the Employer, with the Employer directly providing payment to such vendor. The provision of outplacement services is contingent upon the Eligible Employee's cooperation with the outplacement service vendor, upon the active efforts of the Eligible Employee to locate a new position, and upon the Eligible Employee initiating outplacement services during the Severance Period.

(ii) Subject to the requirements of Paragraph (i) of this Subsection (d), outplacement services shall be offered for a period of time determined in the sole discretion of the Plan Administrator, based on guidelines that include:

(A) a virtual or group training session for Eligible Non-exempt Employees and Exempt Employees in grades 24-28, H-K, and 107-109;

(B) three (3) months of outplacement services for Eligible Exempt Employees in grades 29-36, L-N, and 110-112; and

(C) six (6) months of outplacement services for Eligible Exempt Employees in grades 36A-Z, 38A-Z, and 39 A-Z;

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provided, in no event shall such services extend beyond twelve (12) months following the Involuntary Termination of the Eligible Employee.

(e) Form and Timing of Payment. In the event an Eligible Employee is awarded Severance Pay under the terms of Subsection (a) of this Section 2.1, such Severance Pay shall be paid following an Eligible Employee's Involuntary Termination (except as provided in Section 2.3, below), as follows: No Severance Pay shall commence (with respect to salary continuation payments) or be paid (with respect to a lump sum) (i) prior to the expiration of the later of a period that is identified in a separate agreement with the Eligible Employee during which he or she may consider the execution of the Release of Claims form (the "Consideration Period") or a period ending at least seven (7) days following the execution of the Release of Claims form (the "Revocation Period"), or (ii) later than sixty (60) days following the date of Eligible Employee's Involuntary Termination. Severance Pay that is paid in the form of salary continuation shall commence as soon as feasible following expiration of the later of the Consideration Period or the Revocation Period, which generally shall be the first regularly scheduled payroll date following the expiration of the Consideration Period or the Revocation Period, as the case may be, and shall thereafter be paid in substantially equal installments in accordance with the Employer's regular payroll practice, except as provided in Section 2.3 of the Plan; provided, with respect to RxAmerica Legacy Employees, Severance Pay shall be paid in a single lump sum. Further, in the Plan Administrator's sole discretion, Severance Pay may be paid to any Eligible Employees in a single lump sum, in which event Severance Pay shall be paid within the period that satisfies the 409A requirements for short-term deferrals under Section 409A of the Code.

(f) Withholding. Any payment of Severance Pay to an Eligible Employee shall be subject to normal withholding for state and federal income taxes and Social Security taxes.

(g) Death. Upon the death of the Eligible Employee who had an Involuntary Termination and who has not received all Severance Pay payable under the Plan, the Severance Pay otherwise payable under Section 2.1(b) of the Plan shall be paid in the form of a lump sum to the Eligible Employee's estate or beneficiary as soon as practicable, but in no event later than 60 days following death. Any other severance benefits provided under this Section 2.1 (COBRA assistance and outplacement services) shall cease upon the Eligible Employee's death.

2.2 Conditions on Payment of Severance Pay and Benefits. Payment of the Severance Pay and benefits provided in Section 2.1 of the Plan shall be subject to and conditioned upon the following:

(a) to the extent an Eligible Employee receives notice of a date selected by the Employer (in its sole discretion) on which the Eligible Employee's Involuntary Termination shall occur (a "Designated Termination Date"), the Eligible Employee must continue to work in a satisfactory manner until his or her Designated Termination Date;

(b) the Eligible Employee must cooperate in transitioning all of the Eligible Employee's work in consultation with the Eligible Employee's supervisor or other designated employee;

(c) the Eligible Employee must execute and deliver a Release of Claims form (in the form specified by the Employer from time to time which may include restrictive covenants and, if applicable, a waiver as described in Subsection (d) of this Section 2.2) within the time period specified under the terms of the applicable severance offer. Further, in no event will Severance Pay be paid

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with respect to an Eligible Employee in the event the Release of Claim form is revoked during the Revocation Period (described in Section 2.1(e) of the Plan); and

(d) the Eligible Employee must waive the right to receive any other severance payment relating to salary continuation or salary replacement the Eligible Employee may otherwise be eligible to receive upon termination of employment under any employment agreement, severance plan, practice, policy or program of the Employer or an Affiliate.

2.3 Maximum Severance Pay. Notwithstanding any other provisions to the contrary, benefits paid hereunder shall not (a) exceed two times the lesser of (i) the Eligible Employee's Compensation (as defined in this Section 2.3) during the calendar year immediately preceding the Eligible Employee's Involuntary Termination or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the calendar year in which the Eligible Employee's Involuntary Termination occurs and (b) shall be paid in full within twenty-four (24) months after the date the Eligible Employee's Involuntary Termination occurs. In the event that any Severance Pay payable to an Eligible Employee would exceed the twenty-four (24) month period provided in the foregoing sentence if the Severance Pay continued to be paid in accordance with the Employer's regular payroll practice, any Severance Pay that would otherwise exceed the twenty-four (24) month time period will be paid to the Eligible Employee in a lump sum on the last regular payroll date within the twenty-four (24) month period. For purposes of this Section 2.3, "Compensation" shall mean the Eligible Employee's total annualized compensation, based upon the annual rate of pay for services provided to the Employer for the calendar year preceding the calendar year in which the Eligible Employee's Involuntary Termination occurs, adjusted for any increase in such preceding calendar year that was expected to continue indefinitely if the Eligible Employee had not had an Involuntary Termination.

2.4 Cessation of Severance Pay Upon Reemployment. If an Eligible Employee who had an Involuntary Termination and who is receiving Severance Pay thereafter accepts reemployment with any Employer during the Severance Period, such Employee's Severance Pay shall cease on the Rehire Date and any remaining Severance Pay shall be forfeited.

2.5 Impact of Debt on Severance Pay. In the event an Eligible Employee is indebted to the Company or Employer (determined in the sole discretion of the Company or Employer, as applicable), the Plan Administrator reserves the right to reduce, offset, withhold, and/or forfeit the Severance Pay otherwise payable under the Plan.

2.6 Employee Benefits. As of the date of an Eligible Employee's Involuntary Termination, the Eligible Employee's active participation in any benefit plan, program, or policy sponsored or subsidized by the Employer shall cease, unless otherwise continued pursuant to the terms of such plan, program or policy.

2.7 Awards. Any award or grant made to the Eligible Employee under any stock option, stock purchase, or stock appreciation rights plan of the Company or Employer shall be administered and interpreted in accordance with the terms of the applicable plan documents.

2.8 Paid Time Off. Any pay for accrued paid time off shall be determined under the terms of the Employer's applicable policies.

2.9 Benefits Not Vested. No one under any circumstance is automatically entitled to Severance Pay and benefits described in Section 2.1 of the Plan. Notwithstanding anything in the Plan to the contrary,

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the Plan Administrator reserves the right, at its sole discretion, to increase, decrease, or eliminate Severance Pay and benefits under the Plan.

2.10 Bonuses. Whether any bonuses are payable to an Eligible Employee shall be determined based on the terms of any applicable bonus program, plan, or policy.

ARTICLE 3 ADMINISTRATION OF THE PLAN

3.1 Control and Administration. The Plan Administrator shall administer the Plan. The Plan Administrator shall have the sole and final discretionary authority to construe the terms of the Plan and all facts surrounding claims for benefits under the Plan and shall determine all questions arising in the administration, interpretation and application of the Plan, including, but not limited to, those concerning eligibility for benefits. Accordingly, benefits under the Plan shall be paid only if the Plan Administrator decides in its discretion that an applicant is entitled to benefits. All determinations of the Plan Administrator shall be conclusive and binding on all parties. The Plan Administrator shall be the named fiduciary of the Plan for purposes of ERISA.

3.2 Claim Procedures.

(a) Procedure for Granting or Denying Claims. An Eligible Employee, or his or her duly authorized representative, may file a claim for payment of benefits under the Plan. Such a claim must be made in writing and be delivered to the Plan Administrator, in person or by mail, postage paid. Within 90 days after receipt of such claim, the Plan Administrator shall notify the claimant of the granting or denying, in whole or in part, of such claim, unless special circumstances require an extension of time for processing the

claim. In no event may the extension exceed 90 days from the end of the initial 90-day period. If such extension is necessary, the claimant will be given a written notice to this effect prior to the expiration of the initial 90-day period. The Plan Administrator shall have full discretion to deny or grant a claim in whole or in part.

(b) Requirement for Notice of Claim Denial. The Plan Administrator shall provide to every claimant who is denied a claim for benefits a written or electronic notice setting forth in a manner calculated to be understood by the claimant:

- (i) The specific reason or reasons for the denial;
- (ii) Specific reference to pertinent Plan provisions on which the denial is based;
- (iii) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material is necessary; and
- (iv) An explanation of the Plan's claim review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

(c) Right to Appeal and Request Hearing on Claim Denial. Within 60 days after receipt by the claimant of written or electronic notification of the denial (in whole or in part) of his or her claim, the claimant or his or her duly authorized representative (including, but not limited to, his or

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her counsel) may make a written application to the Plan Administrator, in person or by certified mail, postage prepaid, to be afforded a full and fair review of such denial. The claimant or his or her duly authorized representative may submit written comments, documents, records, and other information relating to the claim for benefits. Moreover, the claimant or his or her duly authorized representative shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. The request for a review may include a request for a hearing; provided only the claimant and the Plan Administrator may be present at any hearing granted by the Plan Administrator.

(d) Disposition of Disputed Claims. Upon receipt of a request for review, the Plan Administrator shall make a decision on the claim. The review shall take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision on review shall be made not later than 60 days after the Plan Administrator's receipt of a request for a review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered not later than 120 days after receipt of the request for review. If an extension is necessary, the claimant shall be given written notice of the extension prior to the expiration of the initial 60-day period.

The Plan Administrator shall provide the claimant with written or electronic notification of the Plan's determination on review. In the case of an adverse determination, the notification shall set forth, in a manner calculated to be understood by the claimant, the specific reason or reasons for the decision as well as specific references to the Plan provisions on which the decision was based. The decision shall also include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. Moreover, the decision shall contain a statement of the claimant's right to bring an action under Section 502(a) of ERISA.

3.3 Bar to Legal Action. No legal action may be commenced or maintained against the Plan prior to the claimant's exhaustion of the claims procedures set forth in Section 3.2 of the Plan. In addition, no legal action may be commenced against the Plan more than ninety (90) days after the Plan Administrator's decision on review pursuant to Section 3.2(d) of the Plan.

3.4 Named Fiduciary. The Plan Administrator of the Plan shall be the Named Fiduciary of the Plan for purposes of ERISA Section 402(a)(1).

ARTICLE 4 MISCELLANEOUS

4.1 Amendment or Termination. The Plan may be amended, terminated, withdrawn or suspended at any time in writing by the Management Planning and Development Committee of the Company or any individual designated by such Committee to take such actions.

4.2 Choice of Law. The validity, interpretation, construction and performance of the obligations created under the Plan shall be governed by ERISA, and to the extent not preempted by federal law, the laws of the State of Rhode Island without regard to its conflicts of law principles.

4.3 Validity. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

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4.4 Plan Exclusive Source of Rights. The Plan contains all of the terms and conditions with respect to the benefits provided hereunder, and no Eligible Employee or former Eligible Employee may rely on any other communication or representation, whether oral or written, of the Employer or any of its subsidiaries, or any officer or Eligible Employee thereof, as creating any right or obligation not expressly provided by the Plan.

4.5 Nonassignability. No benefit which shall be payable under the Plan to any Eligible Employee shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge (except as required by law), and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge a benefit shall be null and void. No benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any Eligible Employee. No benefit shall be subject to legal attachment or legal process for, or against, the Eligible Employee and the same shall not be recognized under the Plan. Notwithstanding the preceding sentence, the Employer retains the discretion, in accordance with federal and/or state laws, to reduce the amount of benefits payable under the Plan to any Eligible Employee to recover any amounts that the Eligible Employee owes to the Employer.

4.6 No Employment Rights. The Plan shall not give any Eligible Employee any right or claim except to the extent that the right is specifically provided under the terms of the Plan. The establishment of the Plan shall not be construed (a) to give any Eligible Employee a right to continue in the employ of the Employer or (b) to interfere with the right of the Employer to terminate the employment of any Eligible Employee at any time.

4.7 Headings. Article and section headings are for convenience only and the language of the Plan itself will be controlling.

4.8 Gender and Numbers. Masculine pronouns include the feminine as well as the neuter genders, and the singular shall include the plural, unless indicated otherwise by the context.

4.9 Code Section 409A. The benefits provided under the terms of the Plan are intended to fall within the short-term deferral exception, the separation pay exception or another exception to the application of Section 409A of the Code and the applicable guidance issued thereunder. In furtherance of this intent, the Plan shall be interpreted, operated and administered in a manner consistent with this intention. To the extent the benefits provided under the Plan become subject to Code Section 409A and applicable guidance issued thereunder, the Plan shall be construed, and benefits paid hereunder, as necessary to comply with Section 409A of the Code and such guidance. Further, to the extent that an Eligible Employee becomes entitled to receive Severance Pay under the terms of the Plan, and, at the time of the Eligible Employee's Involuntary Termination, he or she is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i), any portion of Severance Pay payable to such Eligible Employee that is subject to Code Section 409A and applicable guidance thereunder shall be delayed until the date that is the earlier of (i) the Eligible Employee's death or (ii) six months following the date of the Eligible Employee's Involuntary Termination, at which time the payments that were delayed for such six month period shall be paid in a lump sum on the date of the next occurring regular payroll date of the Employer, and any remaining payments shall be paid

according to the original schedule provided herein. In addition, each payment of a salary continuation stream of installment payments hereunder shall be a separate payment for purposes of Section 409A of the Code.

4.10 Funding. The Plan is not funded, and Severance Pay and benefits under the Plan are paid from the general assets of the Employer.

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4.11 Plan Year. The Plan's records shall be maintained on the basis of the calendar year.

IN WITNESS WHEREOF, the Management Planning and Development Committee of the Company has amended the Plan as of the Effective Date pursuant to the execution hereof on its behalf by a duly authorized officer on _____.

CVS CAREMARK CORPORATION

By: _____

Title: Senior Vice President and Chief Human Resources Officer, CVS Pharmacy, Inc.

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CVS Caremark Corporation Performance-Based Restricted Stock Unit Plan

I. Objectives and Summary The objective of the CVS Caremark Corporation (the "Company") Performance-Based Restricted Stock Unit Plan ("PBRS Plan") is to reward eligible participants for their role in achieving the Company's Earnings before Interest and Taxes ("EBIT") target and to encourage continued employment with the Company and its subsidiaries. PBRS Awards are generally delivered as restricted stock units ("RSUs") and are based on actual EBIT results measured against a pre-established target.

II. Administration The PBRS Plan shall be administered by the Management Planning and Development Committee (the "Committee") of the Board of Directors, or its designee, under the provisions of the 2010 Incentive Compensation Plan, as amended (the "2010 ICP"). The Committee shall have full and final authority, in each case, subject to and consistent with the provisions of the 2010 ICP and the PBRS Plan, to construe and interpret rules and regulations for the administration of the PBRS Plan, correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the PBRS Plan. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the 2010 ICP. In the event of a conflict between the 2010 ICP and the PBRS Plan, the provisions of the 2010 ICP shall control.

III. PBRS Plan Year The "PBRS Plan Year" commences on January 1 and ends on December 31 of each year, unless otherwise approved by the Committee. All dates in this document occur during the PBRS Plan Year unless otherwise stated.

IV. Eligibility

A. Eligible Employees

The Chief Executive Officer (the "CEO") or the CEO's designee determines those employees of the Company and its subsidiaries who are eligible to participate in the PBRS Plan ("Eligible Employees"). In general, Eligible Employees are those employees who are (i) officers of CVS Pharmacy, Inc. who are Vice Presidents or above, and (ii) senior officers of other subsidiaries who have been designated as Eligible Employees by the CEO or his or her designee. Generally, Business Planning Committee ("BPC") members are not eligible to participate, unless otherwise named as an Eligible Employee by the Committee.

B. Newly-Hired Eligible Employees

A newly-hired employee satisfying the requirements set forth on Paragraph IV(A) is an Eligible Employee and may receive a PBRS Award for the PBRS Plan Year in which he or she is hired provided he or she is hired on or before November 1 and remains in an Eligible Employee position through December 31 of the PBRS Plan Year.

C. Status Changes

(i) **Promotions** An employee who is promoted on or before November 1 of the PBRS Plan Year to a position satisfying the requirements set forth on Paragraph IV(A) is an Eligible Employee and may receive a PBRS Award for the year in which the promotion occurs. The salary upon which the

Eligible Employee's PBRS Award will be based shall be the base salary as of December 31 of the PBRS Plan Year.

(ii) **Demotions** An Eligible Employee who is demoted on or after November 1 of the PBRS Plan Year to a position not satisfying the requirements set forth on Paragraph IV(A) will remain an Eligible Employee and may receive a PBRS Award provided such demotion is not the result of voluntarily transfer to a lower level position, is not related to unsatisfactory performance, and is not as a result of a violation of a Company policy or Code of Ethics.

(iii) **Terminations** PBRS Awards unvested as of a Participant's termination of employment shall be governed by the terms and conditions of the applicable agreement for each PBRS Award and the PBRS Plan in effect at the time of grant of each award.

D. Participants

Unless the Committee is required to make such determinations under applicable law or the 2010 ICP, the CEO shall determine which Eligible Employees will receive an award under the PBRS Plan (a "PBRS Award"). All such determinations, whether by the CEO or the Committee, shall be made no later than March 15 of the calendar year following the PBRS Plan Year. Each Eligible Employee who receives a PBRS Award is a "Participant" and the date a PBRS Award is granted is the "PBRS Award Date." No Eligible Employee has any right to receive a PBRS Award, regardless of whether such Eligible Employee is employed on the last day of the PBRS Plan Year, and the determination of whether an Eligible Employee will be a Participant shall be made in the sole discretion of the CEO or the Committee, as the case may be.

- V. Plan Performance Measure Unless otherwise approved by the Committee, EBIT is the performance metric for the PBRS Plan. Each year, the Company will establish an EBIT Target which is approved by the Committee prior to March 31 of the Plan Year.

A. Actual EBIT compared to Target EBIT must meet a minimum threshold as specified in Exhibit A prior to the grant of any PBRS Award.

(i) Actual EBIT may be adjusted by the permitted financial adjustments as approved by the Committee prior to the end of the first fiscal quarter of the applicable PBRS Plan Year.

(ii) The Committee has the sole discretion to approve a change in the minimum threshold that must be achieved in order for any PBRS Awards to be granted under the PBRS Plan.

(iii) The Committee, in its sole discretion, may adjust the relationship between the EBIT Results and the % Funding Payout as shown in the Payout Chart on Exhibit A and determine to pay more or less than the calculation of actual EBIT against target EBIT would produce.

- B. Unless otherwise determined by the Committee, in its sole discretion, the maximum PBRS Award that may be payable to any Participant under the PBRS Plan is 50% of base salary.

VI. Plan Payout

A. Target PBRS Award The target PBRS Award for each Participant is 25% of the base salary in effect as of the last day of the PBRS Plan Year.

B. PBRS Award Determination and Vesting

The actual amount of a PBRS Award is determined based on the achievement of the Company's EBIT against target, as shown on Exhibit A ("Award Payout Percentage").

The PBRS Award is equal to the Award Payout Percentage multiplied by the Participant's base salary as of the last day of the PBRS Plan Year, generally payable in RSUs. The number of RSUs that the Participant will receive is equal to the PBRS Award divided by the closing price of Company common stock on the PBRS Award Date.

C. Vesting

The RSUs issued in respect of any PBRS Award will vest in accordance with and subject to the terms and conditions of the 2010 ICP and the applicable agreement for each PBRS Award.

D. Termination of Employment During the PBRS Plan Year.

(i) Death or Disability. If an Eligible Employee dies or commences a long-term disability (as defined in the Company's LTD plan or by the Social Security Administrator), the Eligible Employee may receive a PBRS Award for the year in which the death or commencement of long-term disability occurs at the same time PBRS Awards are made to other Participants. Such PBRS Award will be pro-rated for the number of full months (a partial month will be counted as a full month) during which the Eligible Employee was an active employee based on a full calendar year and will (unless otherwise determined by the CEO or the Committee) be paid in cash based on the Eligible Employee's base salary in effect at the time of death or commencement of long-term disability. PBRS Awards with respect to deceased Eligible Employees shall be paid to the Eligible Employee's Beneficiary.

(ii) Other Terminations. In the sole discretion of the CEO or the Committee (as the case may be), an Eligible Employee who terminates employment with the Company and its subsidiaries prior to the last day of the PBRS Plan Year or prior to the Plan payout date for any reason other than death or long-term disability may receive a PBRS Award. Such PBRS Award may be payable in cash at the same time PBRS Awards are made to other Participants and may be pro-rated for the number of full months (a partial month will be counted as a full month) during which the Eligible Employee was an active employee based on a full calendar year.

VII. Plan Administration

A. Employment Rights

The PBRS Plan does not create any express or implied contract of employment between the Company and an Eligible Employee. Both the Company and an Eligible Employee (whether or not a Participant) retain the right to terminate the employment relationship at any time and for any reason.

B. Rights are Non-Assignable

Neither a Participant nor any beneficiary nor any other person shall have any right to assign the right to receive payments hereunder, in whole or in part, which payments are non-assignable and non-transferable, whether voluntarily or involuntarily.

C. Change in Control

In the event of a Change in Control, the PBRS Plan shall remain in full force and effect. Any modifications to or dissolution of the PBRS Plan by the acquiring entity may only occur prospectively and will not affect entitlements, awards or eligibility before the date of the Change in Control.

D. Plan Amendment/Modification/Termination

The Company retains the right to amend, modify, or terminate the PBRS Plan for any reason and at any time on or before December 31 of the PBRS Plan Year, with or without notice to Eligible Employees. No representative of the Company or its subsidiaries has the authority to modify the terms of this PBRS Plan without written consent of the Chief Human Resources Officer or his or her designee.

E. Withholding

The Company may provide for the withholding from any benefits payable under the PBRS Plan all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

F. Section 409A of the Code

The Company intends that the PBRS Plan not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and the regulations and guidance thereunder (collectively, "Section 409A") and that to the extent any provisions of the PBRS Plan do not comply with Section 409A the Company will make such changes as it deems reasonable in order to comply with Section 409A. In all events, the provisions of CVS Caremark Corporation's Universal

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409A Definitions Document are hereby incorporated by reference and, notwithstanding any other provision of the Plan or any Award to the contrary, to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A shall be delayed until the first regular scheduled payroll date of the Company occurring after the expiration of the six (6) month period immediately following the date of termination of employment. For purposes of any provision of the PBRS Plan providing for the payment of any amounts or benefits in connection with a termination of employment, references to an Eligible Employee's "termination of employment" (and corollary terms) shall be construed to refer to the Eligible Employee's "separation from service" with the Company as determined under Section 409A.

G. Request for Plan Interpretation

Any dispute or request for interpretation of any provision in the PBRS Plan must be submitted to the appropriate Human Resources Business Partner by the Eligible Employee or his or her manager in writing.

H. Compliance with Applicable Regulations

In order to be eligible to receive a PBRS Award under the PBRS Plan, a Participant must comply with all applicable state and federal regulations and Company policies.

I. Governing Law

The validity, construction and effect of the PBRS Plan, and any rules and regulations under the Plan shall be determined in accordance with Delaware law, without giving effect to principles of conflicts of laws and applicable federal law.

J. Recoupment

Except as may be specifically provided in the PBRS Award, each PBRS Award under the PBRS Plan shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive under the PBRS Plan.

EXHIBIT A**PERFORMANCE-BASED RESTRICTED STOCK PAYOUT CHART**

| (EBIT) | | PBRS Award Payout Percentage |
|------------------|--------------------|------------------------------|
| % of EBIT Target | % of Target Payout | % of Base Salary |
| 102.5% | 200% | 50% |
| 102.2% | 180% | 45% |
| 101.9% | 160% | 40% |
| 101.6% | 140% | 35% |
| 101.2% | 120% | 30% |
| 101.0% | 100% | 25% |
| 100.0% | 100% | 25% |
| 99.0% | 100% | 25% |
| 98.8% | 90% | 22.5% |
| 98.4% | 80% | 20.0% |
| 98.1% | 70% | 17.5% |
| 97.8% | 60% | 15.0% |
| 97.5% | 50% | 12.5% |
| 97.2% | 40% | 10.0% |
| 96.9% | 30% | 7.5% |
| < 96.9% | 0% | 0.00% |

2013 PBRS

CVS Caremark Corporation

2012 Enterprise Non-Competition, Non-Disclosure and Developments Agreement

I, _____, hereby enter into this 2012 Enterprise Non-Competition, Non-Disclosure and Developments Agreement ("Agreement") with CVS Pharmacy, Inc. ("CVS"), which shall be effective as of the date I sign this Agreement (the "Effective Date"). In consideration of the mutual promises in this Agreement, the parties agree as follows:

1. **Consideration for Agreement.** I acknowledge that in connection with my duties and responsibilities at CVS Caremark Corporation or one of its subsidiaries or affiliates, including but not limited to CVS (collectively, the "Corporation"), the Corporation has provided me with certain Confidential Information and/or access to the Corporation's customers and clients and the opportunity to develop and maintain relationships and goodwill with them. In consideration of my promises in this Agreement, CVS promises to continue to provide me with certain Confidential Information and/or the opportunity to develop and maintain relationships with the Corporation's customers and clients. In addition, as a condition of, and in consideration of the Restricted Stock Units ("RSUs") the Corporation granted me on April 2, 2012, I hereby agree with CVS to comply with the terms of this Agreement.

2. **Non-Competition.** During my employment by the Corporation and during the Non-Competition Period following the termination of my employment for any reason, I agree that I will not, directly or indirectly, engage in Competition or provide Consulting or Audit Services within the Restricted Area.

a. **Competition.** Engaging in "Competition" shall mean providing services to a Competitor of the Corporation (whether as an employee, independent contractor, consultant, principal, agent, partner, officer, director, investor, or shareholder, except as a shareholder of less than one percent of a publicly traded company) that: (i) are the same or similar in function or purpose to the services I provided to the Corporation during the last two years of my employment by the Corporation, and/or (ii) will likely result in the disclosure of Confidential Information to a Competitor or the use of Confidential Information on behalf of a Competitor. I agree that if an authorized representative of the Corporation, during my employment or the Non-Competition Period, requests that I identify the company or business to which I will be or am providing services, or with which I will be or am employed, and/or requests that I provide information about the services that I am or will be providing to such entity, I shall provide the Corporation with a written statement detailing the identity of the entity and the nature of the services that I am or will be providing to such entity with sufficient detail to allow the Corporation to independently assess whether I am or will be engaging in Competition during the Non-Competition Period. Such statement shall be delivered to the Corporation's Chief Human

Resources Officer or her authorized delegate via personal delivery or overnight delivery within five days of my receipt of such request.

b. **Competitor.** A "Competitor" for purposes of this Agreement shall mean any person, corporation or other entity that competes with one or more of the business units of the Corporation. As of the Effective Date, it is understood that the Corporation's business units include: (i) pharmacy benefits management ("PBM"), including the administration of pharmacy benefits for businesses, government agencies and health plans; mail order pharmacy; specialty pharmacy; and Medicare Part D services; (ii) retail, which includes the sale of prescription drugs, over-the-counter medications, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards, convenience foods and other product lines that are sold by the Corporation's retail division; and (iii) retail health care ("MinuteClinic"). It is understood and agreed that PBM Competitors include, but are not limited to, Medco Health Solutions, Inc., Express Scripts, Inc., SXC Health Solutions Corp., and Catalyst, Inc., as well as health plans that provide PBM services that compete with the Corporation's PBM business. It is also understood and agreed that retail Competitors include, chain drug store companies such as Walgreen Co. and Rite Aid Corporation; mass merchants such as Wal-Mart Stores, Inc. and Target Corp.; food/drug combinations such as The Kroger Co. and Supervalu Inc.; and other retailers, including dollar stores, that sell one or more product lines that are sold by the Corporation. It is understood and agreed that MinuteClinic Competitors shall include, but are not limited to, Walgreen's Take Care Clinics, RediClinic, The Little Clinic, and Target Clinic. A person or entity shall not be considered a PBM Competitor unless it provides products or services that are offered by or compete with the products or services offered by CVS Caremark's PBM business. A person or entity shall not be considered a retail Competitor if such entity derives annual gross revenues from its business in an amount that is less than 5% of the Corporation's gross revenues from its retail business during its most recently completed fiscal year.

I acknowledge and agree that as of the Effective Date, I have had business dealings and/or have been provided with certain Confidential Information regarding the Corporation's three business units, and as such acknowledge and agree to this enterprise-wide definition of non-competition that will prevent me from providing services to the Corporation's PBM, retail and MinuteClinic Competitors during the relevant time period. If, for the two years prior to the end of my employment with the Corporation, I continue to have business dealings and/or be provided with certain Confidential Information regarding the Corporation's three business units, then engaging in Competition shall continue to include providing services to PBM, retail and MinuteClinic Competitors. However, for example, as per Section 2(a) above, if I had business dealings and/or received Confidential Information regarding only one of the three business units during the last two years of my employment with the Corporation, then engaging in Competition shall be limited to providing services to a Competitor of that business unit. By way of further example, and as per Section 2(a) above, if I worked as an executive in the Corporation's retail division and oversaw the management of dozens of stores during the two years prior to my termination, engaging in Competition would not include working as the store manager or a staff pharmacist for a retail Competitor, where working in such a position would not likely result in the use or disclosure of Confidential Information.

c. **Consulting or Audit Services.** "Consulting or Audit Services" shall mean any activity that involves providing audit review or other consulting or advisory services with respect to any relationship between the Corporation and any third party, including but not limited to PBM clients, and that is likely to result in the use or disclosure of Confidential Information. For purposes of this Agreement, providing Consulting or Audit Services shall expressly include, but is not limited to, providing such services for Aon Hewitt, Towers Watson and/or Mercer, in connection with their PBM consulting businesses.

d. **Non-Competition Period.** The "Non-Competition Period" shall be the period of eighteen (18) months following the termination of my employment with the Corporation for any reason, provided that the Corporation may, in its sole discretion, reduce the length of the Non-Competition Period pursuant to a separation agreement or a written modification to this Agreement signed by me and an authorized representative of the Corporation.

e. **Restricted Area.** "Restricted Area" refers to those states within the United States in which the Corporation conducts its business, as well as the District of Columbia and Puerto Rico.

3. Non-Solicitation.

a. During the Non-Solicitation Period, which shall be 18 months following the termination of my employment with the Corporation for any reason, I will not, unless a duly authorized officer of the Corporation gives me written authorization to do so, interfere with the Corporation's business relationships with a Covered Customer by soliciting or communicating (regardless of who initiates the communication) with a Covered Customer to induce or encourage the Covered Customer to (i) stop doing business or reduce its business with the Corporation, or (ii) buy a product or service that competes with a product or service offered by the Corporation's PBM business. A "Covered Customer" is a customer (person or entity) of the Corporation's PBM business with which I had business-related contact or dealings, or about and/or from which I received Confidential Information, during the two years prior to my termination with the Corporation. A Covered Customer does not include a customer that has fully and finally decided to cease doing any business with the Corporation independent of any conduct or communications by me or breach of this Agreement, and that has, in fact, ceased doing any business with the Corporation. Nothing in this Paragraph 3(a) shall prevent me from working as a staff pharmacist or in another retail position wherein I would be providing or selling prescriptions or other products directly to consumers.

b. I also agree that during the Non-Solicitation Period, I will not interfere with the Corporation's relationship with its Business Partners by soliciting or communicating (regardless of who initiates the communication) with a Business Partner to induce or encourage the Business Partner to stop doing business or reduce its business with the Corporation, unless a duly authorized officer of the Corporation gives me written authorization to do so.

c. I further agree that during the Non-Solicitation Period, I will not work on a Corporation account on behalf of a Business Partner or serve as the representative of a Business

Partner for the Corporation. "Business Partner" means a supplier, manufacturer, broker, hospital, hospital system, and/or pharmaceutical company (person or entity) with whom the Corporation has a business relationship and with which I had business-related contact or dealings, or about which I received Confidential Information, in the two years prior to the termination of my employment with the Corporation. A Business Partner does not include a supplier, manufacturer, broker, hospital, hospital system, and/or pharmaceutical company that has fully and finally decided to terminate its business relationship with the Corporation independent of any conduct or communications by me or breach of this Agreement, and which has, in fact, ceased doing any business with the Corporation.

d. I finally agree that during the Non-Solicitation Period, I will not interfere with the Corporation's relationship with any employee of the Corporation by: (i) soliciting or communicating with the employee to induce or encourage him or her to leave the Corporation's employ (regardless of who first initiates the communication); (ii) helping another person or entity evaluate such employee as an employment candidate; or (iii) otherwise helping any person or entity hire an employee away from the Corporation unless a duly authorized officer of the Corporation gives me written authorization to do so. Where required by law, the foregoing restriction will only apply to employees with whom I had material contact or about whom I received Confidential Information within the two years prior to the termination of my employment with the Corporation.

4. Non-Disclosure of Confidential Information.

a. Subject to Section 7 below, I will not at any time, whether during or after the termination of my employment, reveal to any person or entity any of the Corporation's Confidential Information, except as may be appropriately required in the ordinary course of performing my duties as an employee of the Corporation. The Corporation's Confidential Information includes but is not limited to the following non-public information: trade secrets; computer code generated or developed by the Corporation; software or programs and related documentation; strategic compilations and analysis; strategic processes; business or financial methods, practices and plans; non-public costs and prices; operating margins; marketing, merchandising and selling techniques and information; customer lists; details of customer agreements; pricing arrangements with drug manufacturers, including but not limited to any discounts and/or rebates; pharmacy reimbursement rates; expansion strategies; real estate strategies; operating strategies; sources of supply; employee compensation and benefit plans, patient records; and confidential information of third parties which is given to the Corporation pursuant to an obligation or agreement to keep such information confidential (collectively, "Confidential Information"). I shall keep secret all such matters entrusted to me, and I shall not use or attempt to use any Confidential Information on behalf of any person or entity other than the Corporation, or in any manner which may injure or cause loss or may be calculated to injure or cause loss, whether directly or indirectly, to the Corporation. For employees residing in Connecticut, these restrictions on use or disclosure of Confidential Information will only apply for three (3) years after the end of my employment where information that does not qualify as a trade secret is concerned; however, the restrictions will continue apply to trade secret information for as long as the information at issue remains qualified as a trade secret.

b. Further, I agree that, during my employment, I shall not make, use, or permit to be used, any notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials of any nature relating to any matter within the scope of the business of the Corporation or concerning any of its dealings or affairs other than for the benefit of Corporation. I further agree that I shall not, after the termination of my employment, use or permit to be used any such notes, memoranda, reports, lists, records, drawings, sketches, specifications, software programs, data, documentation or other materials. All of the foregoing shall be and remain the sole and exclusive property of the Corporation and, immediately upon the termination of my employment, I shall deliver all of the foregoing, and all copies thereof, to the Corporation at its main office.

5. **Ownership and Return of the Corporation's Property.** I agree that on or before my final date of employment with the Corporation I shall return to the Corporation all property of the Corporation in my possession, custody or control, including but not limited to the originals and copies of any information provided to or acquired by me in connection with the performance of my duties for the Corporation, such as files, correspondence, communications, memoranda, e-mails, slides, records, and all other documents, no matter how produced or reproduced, all computer equipment, communication devices (including but not limited to any mobile phone, BlackBerry or other portable digital assistant or device), computer programs and/or files, and all office keys and access cards. It is hereby acknowledged that all of said items are the sole and exclusive property of the Corporation.

6. **Rights to Inventions, Works.**

a. **Inventions Retained and Licensed.** I have attached hereto, as Exhibit A, a list describing all inventions, original works of authorship, developments, improvements, and trade secrets which were made by me prior to my employment with the Corporation (collectively referred to as "Prior Inventions"), which belong to me, which relate to the Corporation's proposed business, products or research and development, and which are not assigned to the Corporation hereunder; or, if no such list is attached, I represent that there are no such Prior Inventions. I agree that I will not incorporate, or permit to be incorporated, any Prior Invention owned by me or in which I have an interest into a Corporation product, process or machine without the Corporation's prior written consent. Notwithstanding the foregoing sentence, if, in the course of my employment with the Corporation, I incorporate into a Corporation product, process or machine a Prior Invention owned by me or in which I have an interest, the Corporation is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

b. **Assignment of Inventions.** I agree that I will promptly make full written disclosure to the Corporation, will hold in trust for the sole right and benefit of the Corporation, and hereby assign to the Corporation, or its designee, all my right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements, designs, discoveries, ideas, trademarks or trade secrets, whether or not patentable or registrable under

copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, while in the course of my employment for the corporation during the period of time I am in the employ of the Corporation (collectively referred to as "Inventions"). I further acknowledge that all original works of authorship which are made by me (solely or jointly with others) within the scope of and during the period of my employment with the Corporation and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act and as such are the sole property of the Corporation. I understand and agree that the decision whether or not to commercialize or market any Invention developed by me solely or jointly with others is within the Corporation's sole discretion and for the Corporation's sole benefit and that no royalty will be due to me as a result of the Corporation's efforts to commercialize or market any such Invention.

c. **Maintenance of Records.** I agree to keep and maintain adequate and current written records of all Inventions made by me (solely or jointly with others) during the term of my employment with the Corporation. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Corporation. The records will be available to and remain the sole property of the Corporation at all times.

d. **Patent and Copyright Registrations.** I agree to assist the Corporation, or its designee, at the Corporation's expense, in every proper way to secure the Corporation's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including, but not limited to, the disclosure to the Corporation of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Corporation shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Corporation, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after my employment ends for any reason and/or after the termination of this Agreement. If the Corporation is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Corporation as above, then I hereby irrevocably designate and appoint the Corporation and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by me.

e. **Exception to Assignments.** I understand that if I am an employee in Illinois, Kansas, North Carolina, Utah or Minnesota, I should refer to Exhibit B (incorporated herein for all purposes) for important limitations on the scope of the provisions of this Agreement concerning assignment of Inventions. I will advise the Corporation promptly in writing of any inventions that I believe meet the criteria in Exhibit B and that are not otherwise disclosed on Exhibit A.

7. Cooperation.

a. In the event that I receive a subpoena, deposition notice, interview request, or other process or order to produce Confidential Information or any other property of the Corporation, I shall promptly: (a) notify the Corporation of the item, document, or information sought by such subpoena, deposition notice, interview request, or other process or order; (b) furnish the Corporation with a copy of said subpoena, deposition notice, interview request, or other process or order; and (c) provide reasonable cooperation with respect to any procedure that the Corporation may initiate to protect Confidential Information or other interests. If the Corporation objects to the subpoena, deposition notice, interview request, process, or order, I shall cooperate to ensure that there shall be no disclosure until the court or other applicable entity has ruled upon the objection, and then only in accordance with the ruling so made. If no such objection is made despite a reasonable opportunity to do so, I shall be entitled to comply with the subpoena, deposition, notice, interview request, or other process or order provided that I have fulfilled the above obligations.

b. I agree to cooperate fully with the Corporation, its affiliates, and their legal counsel in connection with any action, proceeding, or dispute arising out of matters with which I was directly or indirectly involved while serving as an employee of the Corporation, its predecessors, subsidiaries or affiliates. This cooperation shall include, but shall not be limited to, meeting with, and providing information to, the Corporation and its legal counsel, maintaining the confidentiality of any past or future privileged communications with the Corporation's legal counsel (outside and in-house), and making myself available to testify truthfully by affidavit, in depositions, or in any other forum on behalf of the Corporation. The Corporation agrees to reimburse me for any reasonable and necessary out-of-pocket costs associated with my cooperation.

8. **Injunctive Relief.** I agree that any breach of this Agreement by me will cause irreparable damage to the Corporation and that, in the event of such breach, the Corporation shall have, in addition to any and all remedies of law, the right to an injunction, specific performance or other equitable relief to prevent the violation of my obligations hereunder, and without providing a bond to the extent permitted by the applicable rules of civil procedure.

9. **Eligibility for Severance Pay.** In the event that the Corporation terminates my employment without Cause (as defined below), the Corporation will offer me a separation agreement in a form provided by the Corporation that will include periodic severance payments in an amount equal to my salary in effect immediately prior to my separation, as well as the opportunity to continue participating in the Corporation's medical, prescription and dental insurance plans (collectively, the "health benefits") on the same terms available during my employment, for the duration of the Non-Competition Period. The separation agreement will also include a general release of claims and other standard provisions. The Corporation reserves the right, in its sole discretion, to reduce the duration of the Non-Competition Period and the

duration of the corresponding periodic severance payments and continuation of health benefits. For purposes of this Agreement, Cause shall mean that the Corporation, in its sole discretion, has determined that I have: (a) violated the terms of this Agreement; (b) willfully violated the CVS Caremark Code of Conduct or any of the Corporation's other policies; (c) engaged in dishonest or fraudulent conduct; or (d) willfully engaged in conduct that is detrimental to the Corporation's reputation. I understand that if I resign my employment with the Corporation, or if I am terminated with Cause, I am not eligible for severance pay, but my obligations under this Agreement are still in full force and effect, including the post-employment restrictions I am agreeing to in Paragraphs 2 and 3 herein. I further understand that nothing in this Agreement shall diminish any right to severance pay that I may have under another written agreement or arrangement with the Corporation. Further, I understand and agree that my entitlement to any severance payments pursuant to this Agreement shall be offset, i.e., decreased, by any severance payment for which I may be eligible pursuant to any other agreement or arrangement with the Corporation.

10. **No Right of Continued Employment.** I understand that this Agreement does not create an obligation on the Corporation or any other person or entity to continue my employment.

11. **No Conflicting Agreements.** I represent that the performance of my job duties with the Corporation and my compliance with all of the terms of this Agreement does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Corporation.

12. **Entire Agreement/No Reliance/No Modifications.** This Agreement and any compensation, benefit or equity plan or agreement referred to herein set forth the entire agreement between the parties hereto and fully supersede any and all prior and/or supplemental understandings, whether written or oral, between the parties concerning the subject matter of this Agreement. Notwithstanding the foregoing, if I am a party to the CVS Caremark Corporation Change in Control Agreement (the "CIC Agreement"), then I understand that in the event of a Change in Control, as that term is defined in the CIC, Paragraph 2 of this Agreement shall be null and void. I agree and acknowledge that I have not relied on any representations, promises or agreements of any kind in connection with my decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any modification to this Agreement must be made in writing and signed by me and the Corporation's Chief Human Resources Officer or her authorized representative.

13. **No Waiver.** Any waiver by the Corporation of a breach of any provision of this Agreement, or of any other similar agreement with any other current or former employee of the Corporation, shall not operate or be construed as a waiver of any subsequent breach of such provision or any other provision hereof.

14. **Severability.** The parties hereby agree that each provision herein shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions of this Agreement are for any reason held to be excessively broad as to scope, activity, duration, subject or otherwise so as to be unenforceable at law, the parties consent to such provision or provisions being modified or limited by the appropriate judicial body (where allowed by applicable law), so as to be enforceable to the maximum extent compatible with the applicable law.

15. **Survival of Employee's Obligations.** My obligations under this Agreement shall survive the termination of my employment regardless of the manner of such termination and shall be binding upon my heirs, personal representatives, executors, administrators and legal representatives.

16. **Corporation's Right to Assign Agreement.** I acknowledge and agree that the Corporation has the right to assign this Agreement to its successors and assigns without the need for further agreement or consent by me, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by said successors or assigns.

17. **Non-Assignment.** I shall not assign my rights and obligations under this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the Corporation, and any such assignment contrary to the terms hereof shall be null and void and of no force or effect.

18. **Governing Law; Venue; Headings.** This Agreement shall be governed by and construed in accordance with the laws of the state where I reside at the time this Agreement is provided to me. The exclusive venue for any legal action arising from this Agreement will be the federal and state courts within Rhode Island. I stipulate and consent to Rhode Island courts' personal jurisdiction over me, and waive my right to object to a Rhode Island court's jurisdiction. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

19. **Tolling.** In the event I violate one of the time-limited restrictions in this Agreement, I agree that the time period for such violated restriction shall be extended by one day for each day I have violated the restriction, up to a maximum extension equal to the length of the original period of the restricted covenant. The foregoing provision shall not apply to residents of Wisconsin.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as a sealed instrument as of the date set forth below.

Signature _____ Lisa Bisaccia _____
Chief Human Resources Officer
CVS Pharmacy, Inc.

Date: _____, 2012

EXHIBIT A

List of Prior Inventions – See Section 6(a)

EXHIBIT B

Notice Regarding Invention Assignment

1. For an employee residing in **Illinois, Kansas, or North Carolina**, you are hereby advised:
Notice. No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used and which was developed entirely on your own time, unless (a) the invention relates (i) to the business of the Corporation or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Corporation. Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1.
2. For an employee residing in **Utah**, you are hereby advised:
Notice. No provision in this Agreement requires you to assign any of your rights to an invention which was created entirely on your own time, and which is not (a) conceived, developed, reduced to practice, or created by you (i) within the scope of your employment with the Corporation, (ii) on the Corporation's time, or (iii) with the aid, assistance, or use of any of the Corporation's property, equipment, facilities, supplies, resources, or patents, trade secrets, know-how, technology, confidential information, ideas, copy rights, trademarks and service marks and any and all rights, applications and registrations relating to them, (b) the results of any work, services, or duties performed by you for the Corporation, (c) related to the industry or trade of the Corporation, or (d) related to the current or demonstrably anticipated business, research, or development of the Corporation. Utah Code Sections 34-39-1 through 34-39-3, "Employee Inventions Act."
3. For an employee residing in **Minnesota**, you are hereby advised:
Notice. No provision in this Agreement requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Corporation was used, and which was developed entirely on your own time, and (a) which does not relate (i) directly to the business of the Corporation, or (ii) to the Corporation's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by you for the Corporation. Minnesota Statutes 13A Section 181.78.



**CVS CAREMARK CORPORATION
BUSINESS PLANNING COMMITTEE
NONQUALIFIED STOCK OPTION AGREEMENT
ANNUAL GRANT**

GRANT DATE: APRIL 1, 2013

1. GRANT OF AWARD. Pursuant to the provisions of the 2010 Incentive Compensation Plan, as amended (the "ICP") of CVS Caremark Corporation (the "Company"), on the date set forth above (the "Grant Date"), the Company has granted and hereby evidences the Grant to the person named below (the "Participant"), subject to the terms and conditions set forth or incorporated in this Nonqualified Stock Option Agreement ("Agreement"), the right, and option, to purchase from the Company the aggregate number of shares of Common Stock (\$.01 par value) of the Company ("Shares") set forth below, at the purchase price indicated below (the "Option"), such Option to be exercised as hereinafter provided. The ICP is hereby made a part hereof and Participant agrees to be bound by all the provisions of the ICP. Capitalized terms not otherwise defined herein shall have the meaning assigned to such term(s) in the ICP. The Option is a nonqualified option as defined in the ICP.

Participant:

Employee ID:

Shares:

Option Price:

\$54.53

3. EXERCISE OF OPTION.

(a) The Option, subject to the provisions of the ICP, shall be exercised by submitting a request to exercise to the Company's stock option administrator, in accordance with the Company's current exercise policies and procedures, specifying the number of Shares to be purchased, which number may not be less than one hundred (100) Shares (unless the number of Shares purchased is the total balance which is then exercisable). Unless the Company, in its discretion, establishes "cashless exercise" procedures and permits Participant entitled to exercise the Option to utilize such "cashless exercise" procedures, Participant so exercising all or part of this Option shall, at the time of exercise, tender to the Company cash or cash equivalent for the aggregate option price of the Shares Participant has elected to purchase or certificates for Shares of Common Stock of the Company owned by Participant for at least six (6) months with a fair market value at least equal to the aggregate option price of the Shares Participant has elected to purchase, or a combination of the foregoing.

(b) Prior to its expiration or termination and except as otherwise provided herein, the Option will become vested in accordance with the vesting schedule set forth below and any vested Option will be exercisable by Participant so long as Participant has maintained continuous employment with the Company or a subsidiary of the Company from the Grant Date through the exercise date:

- (i) 25% of the Option shall vest on the 1st anniversary of the Grant Date.
- (iii) 25% of the Option shall vest on the 3rd anniversary of the Grant Date.

2. TERM OF OPTION. The term of this Option shall be for a period of seven (7) years from the Grant Date, subject to the earlier termination of the Option, as set forth in the ICP and in this Agreement. No portion of the Option shall be exercisable after the term of the Option.

- (ii) 25% of the Option shall vest on the 2nd anniversary of the Grant Date.
- (iv) 25% of the Option shall vest on the 4th anniversary of the Grant Date.

4. TAXES. If, upon the exercise of an Option, there shall be payable by the Company any amount for tax withholding, the Company shall have the right to require Participant to pay the amount of such taxes immediately, upon notification from the Company, before a certificate for the Shares purchased is delivered to Participant pursuant to such Option. Furthermore, the Company may elect to deduct such taxes from any other amounts then payable to Participant in cash or in Shares or from any other amounts payable any time thereafter to Participant.

5. TRANSFERABILITY. This Option may be transferred to and may thereafter be exercised by one or more members of Participant's immediate family, by a trust established by Participant for the benefit of one or more members of Participant's immediate family, or by a partnership of Company of which the only owners are members of Participant's immediate family (the "Transferee(s)"); provided, that no portion of the Option may be transferred until such time as it becomes vested and exercisable pursuant to Section 3(b) hereof, and further provided that no more than fifty percent (50%) of the exercisable Option may be transferred by Participant. An "immediate family member" shall mean Participant's spouse, parents, children, grandchildren and the spouses of such parents, children and grandchildren. Transferee will be subject to all terms and conditions applicable to Option prior to its transfer. Transferee may not again transfer said Option. In order to transfer this Option, Participant must notify the Company in the form of a "Notice of Transfer of Nonqualified Stock Option" (which form may be obtained from the Company's Legal Department) of such transfer and include the name, address and social security number of Transferee, as well as the relationship of Transferee to Participant.

6. FORFEITURE OF OPTION UPON TERMINATION OF EMPLOYMENT. Unless otherwise provided for in the ICP or in this Agreement, the Option (whether vested or unvested), to the extent not yet exercised, shall be forfeited immediately upon Participant's termination of employment with the Company or any of its subsidiaries.

7. TERMINATION OF PARTICIPANT'S EMPLOYMENT WITHOUT CAUSE. In the event that Participant's employment is terminated without cause by the Company or one of its subsidiaries and Participant receives severance pay following Participant's employment pursuant to a written agreement, vesting of the Option shall continue through the end of the severance period set forth in the agreement providing for such severance pay. To the extent vested, the Option shall be exercisable at any time during the severance period and on or before the ninetieth (90th) day following the last day of the severance period, as long as no government regulations or rules are violated by such continued vesting or exercise period; provided, however, that in no event will the Option be exercisable beyond its original term.

8. RETIREMENT OF PARTICIPANT. In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of a "Qualified Retirement", Participant (a) shall continue to vest in the Option, to the extent unvested as of the retirement date, for a period of three (3) years following Participant's retirement date and (b) may exercise the Option, to the extent vested, at any time within the period of three (3) years following Participant's retirement date, but not beyond the original term of the Option, in both cases as long as no government regulations or rules are violated by such continued vesting or exercise period. To the extent unvested or unexercised at the end of the three (3) year period following Participant's retirement date, the Option shall be forfeited. In the event Participant's termination of employment qualifies as a Qualified Retirement and Participant also enters into a severance agreement with the Company, the terms of this Section 7 shall apply with respect to the vesting and exercise of the Option as of the Participant's employment termination date. "Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause.

9. DISABILITY OF PARTICIPANT. In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the Option shall vest as follows: the Option shall vest with respect to a total number of Shares as of the employment termination date (which is the last day that Participant is employed by the Company and any subsidiary of the Company) equal to (i) the number of Shares subject to the Option on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed as of the employment termination date since the Grant Date and (B) the denominator shall be forty-eight (48), minus (ii) the number of Shares with respect to which the Option vested prior to the employment termination date (whether or not the Option was previously exercised). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date

and the employment termination date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Option may be exercised to the extent vested at any time within one (1) year of Participant's employment termination date but not beyond the original term of the Option. The Vesting Date shall be the Participant's employment termination date.

10. DEATH OF PARTICIPANT. In the event of Participant's death while Participant is employed with the Company and any subsidiary of the Company, the Option shall immediately vest in full, and the Option shall remain exercisable for a period of one (1) year after Participant's death, or prior to the Option expiration date, whichever occurs first, by Participant's executor, administrator, personal representative or any person or persons who acquired the Option directly from Participant by bequest or inheritance. At the end of said one (1)-year time period, all rights with respect to any Option that is unexercised shall terminate and the Option shall be cancelled.

11. TRANSFER OF EMPLOYMENT. Transfer of employment of Participant from the Company to a subsidiary of the Company, transfer among or between subsidiaries, or transfer from a subsidiary to the Company shall not be treated as termination of employment.

12. ACCEPTANCE OF AWARD. The Option may not be exercised unless and until the Company has received acceptance by Participant of the terms and conditions set forth herein. Acceptance may be submitted either electronically, if available, or in writing.

13. **NOTICE.** Any notice required to be given hereunder to the Company shall be addressed to the Company, attention Senior Vice President, Chief Human Resources Officer, One CVS Drive, Woonsocket, RI 02895, and any notice required to be given hereunder to Participant shall be addressed to Participant at his or her address as shown on the records of the Company, subject to the right of either party hereafter to designate in writing to the other some other address.

14. **RECOUPMENT OF OPTION AWARD.** The Option subject to this Agreement under the ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting this Award, Participant acknowledges that a copy of the Company's Recoupment Policy has been made available for the Participant's reference.

15. **COMMITTEE AUTHORITY.** The Committee shall have the authority, in its sole discretion, to make any interpretations, determinations, and/or take any administrative actions with respect to the ICP and this Agreement, including whether any post-termination payments to Participant shall be deemed severance pay, the duration of any severance period, and/or whether a termination was without cause.

16. **GOVERNING LAW.** This Nonqualified Stock Option Agreement and the Option evidenced hereby shall be governed by the laws of Delaware, without giving effect to principles of conflict of laws.

BY: _____
 Lisa Bisaccia
 Senior Vice President, Chief Human Resources Officer
 CVS Caremark Corporation

Accepted By: _____
 Participant

 Date

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**CVS CAREMARK CORPORATION
 BUSINESS PLANNING COMMITTEE
 RESTRICTED STOCK UNIT AGREEMENT - ANNUAL GRANT
 GRANT DATE: APRIL 1, 2013**

1. Pursuant and subject to the provisions of the 2010 Incentive Compensation Plan, as amended (the "ICP") of CVS Caremark Corporation (the "Company"), on the date set forth above (the "Grant Date"), the Company has awarded and hereby evidences the Restricted Stock Unit ("RSU") Award to the person named below (the "Participant"), subject to the terms and conditions set forth and incorporated in this Restricted Stock Unit agreement (the "Agreement"). The ICP is hereby made a part hereof and Participant agrees to be bound by all the provisions of the ICP. Capitalized terms not otherwise defined herein shall have the meaning assigned to such term(s) in the ICP. On the Grant Date specified above, the Fair Market Value (the "FMV"), which is the Closing Price of the Company's common stock on the Grant Date, of each RSU equals \$54.53.

Participant:

Employee ID:

RSUs (#):

(b) Participant hereby agrees that the Company may withhold from the dividend equivalent amounts referred to in Paragraph 3(a) above amounts sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.

2. Each RSU represents a right to a future payment of one share ("Share") of Common Stock (\$0.01 par value) of the Company, subject to required tax withholding.
3. (a) To the extent dividends are paid on Shares while the RSUs remain outstanding and prior to the Settlement Date (as defined below), subject to Section 5(b), Participant shall be entitled to receive a cash payment in an amount equivalent to the cash dividends with respect to the number of Shares covered by the RSUs; provided, however, that no dividends shall be payable with respect to any RSUs forfeited on or prior to the dividend record date.
4. Subject to the terms and conditions of the ICP and this Agreement and subject to Participant's continued employment, Participant shall be entitled to receive (and the Company shall deliver to Participant) the Shares within sixty (60) days following the Vesting Date(s) set forth herein, unless delivery of the Shares has been deferred in accordance with Section 5 below (the date of such delivery of the Shares being hereafter referred to as the "Settlement Date"). Each "Vesting Date," except as otherwise provided in Section 7, shall be in accordance with the schedule set forth below:
 - (a) 50% of the Shares underlying the RSU shall vest on the third anniversary of the Grant Date;
 - (b) 50% of the Shares underlying the RSU shall vest on the fifth anniversary of the Grant Date.

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5. (a) In accordance with rules promulgated by the Management Planning and Development Committee of the Board of Directors (the "Committee"), Participant, to the extent eligible under the CVS Caremark Deferred Stock Compensation Plan, may elect to defer delivery of Shares in settlement of RSUs covered by this Agreement. Any such deferred delivery date elected by Participant shall become the Settlement Date for purposes of this Agreement.
 - (b) Notwithstanding Section 3(a), to the extent dividends are paid on such deferred Shares following the Vesting Date and prior to the Settlement Date, Participant shall be entitled to receive a number of additional deferred Shares equal to: (x) the amount of dividend per Share as declared by the Company's Board of Directors on the Company's common stock multiplied by (y) the number of deferred Shares held by Participant on the record date of such dividend, divided by (z) the FMV of a Share on such dividend payment date. The Company may decrease the number of additional deferred Shares calculated as provided herein by the number of Shares sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.
6. Except as may be elected by Participant, on the Settlement Date the number of Shares to be delivered by the Company to Participant shall be reduced by the smallest number of Shares having a FMV at least equal to the dollar amount of Federal, state and local tax withholding required to be withheld by the Company with respect to such RSUs on such date. In lieu of having the number of Shares underlying the RSU reduced, Participant may elect to pay the Company for any amounts required to be withheld by the Company in connection with the vesting of the RSUs or delivery of the Shares pursuant to the Agreement. Such election may be made electronically at any time prior to the Settlement Date of the RSUs.
7. (a) Except as provided in Paragraphs 7 (b) - (g) below, if, for any reason, Participant's employment with the Company and any subsidiary of the Company terminates, all RSUs not then vested in accordance with Section 4 above shall be immediately forfeited.
 - (b) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of death, RSUs not then vested in accordance with Section 4 will become immediately vested and the Vesting Date shall be the date of death.

(c) (i) In the event Participant's employment with the Company and any subsidiary of the Company terminates prior to the third anniversary of the Grant Date by reason of a "Qualified Retirement", RSUs shall vest on a pro rata basis as follows: the total number of RSUs vesting as of the retirement date, which is the last day that the Participant is employed by the Company or any subsidiary of the Company shall be equal to the number of RSUs granted on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed as of the retirement date since the Grant Date and (B) the denominator shall be thirty-six (36). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the retirement date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Vesting Date shall be Participant's retirement date.

(ii) In the event Participant's employment with the Company and any subsidiary of the Company terminates after the third anniversary, but prior to the fifth anniversary, of the Grant Date by reason of a "Qualified Retirement", the remaining unvested RSUs shall vest on a pro rata basis as follows: 50% of the RSUs granted on the Grant Date multiplied by the following fraction: (C) the numerator shall be the whole number of months elapsed as of the retirement date since the Grant Date and (D) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the retirement date is fifty-four months and five days, the numerator in sub-section (C) above shall be fifty-five. The Vesting Date shall be Participant's retirement date.

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"Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause. In the event Participant's termination of employment qualifies as a Qualified Retirement and Participant also enters into a severance agreement with the Company, the terms of Section 7(c) shall apply with respect to the vesting and settlement of RSUs that are unvested as of Participant's employment termination date.

(d) (i) In the event Participant's employment with the Company and any subsidiary of the Company terminates prior to the third anniversary of the Grant Date by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the RSUs shall vest on a pro rata basis as follows: the total number of RSUs vested as of the termination date, which is the last date that the Participant is employed by the Company or any subsidiary of the Company, shall be equal to the number of RSUs granted on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed as of Participant's termination date since the Grant Date and (B) the denominator shall be thirty-six (36). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the termination date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Vesting Date shall be the effective date of the Participant's termination of employment.

(ii) In the event the Participant's employment with the Company and any subsidiary of the Company terminates after the third anniversary, but prior to the fifth anniversary, of the Grant Date, by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the remaining unvested RSUs shall vest on a pro rata basis according to the following formula: 50% of the RSUs granted on the Grant Date multiplied by the following fraction: (C) the numerator shall be the whole number of months elapsed as of the termination date since the Grant Date as of Participant's termination date and (D) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (C) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the termination date is fifty-four months and five days, the numerator in sub-section (C) above shall be fifty-five. The Vesting Date shall be the effective date of the Participant's termination of employment.

(e) In the event Participant's employment with the Company and any subsidiary of the Company terminates and Participant receives severance pay pursuant to a written agreement, RSUs not vested at the time of Participant's employment termination date but scheduled to vest during the severance period specified in the agreement providing for severance pay shall vest and settle in accordance with the schedule set forth in Section 4 of this Agreement. Participant will be responsible for any applicable withholding taxes that may become due as of Participant's employment termination date. All RSUs not scheduled to vest during the specified severance period shall be forfeited as of the employment termination date.

(f) Notwithstanding the above, (i) the provisions of Section 10 of the ICP shall apply in the event of a Change in Control (as defined in such Section 10) and (ii) the provisions of Section 7(e)(iv) of the ICP shall apply.

(g) For purposes of this Section 7, transfer of Participant's employment from the Company to a subsidiary of the Company, transfer among or between subsidiaries, or transfer from a subsidiary to the Company shall not be treated as termination of employment.

8. An RSU does not represent an equity interest in the Company and carries no voting rights. Participant shall have no rights of a shareholder with respect to the RSUs until the Shares have been delivered to Participant.

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9. Neither the execution and delivery hereof nor the granting of the award evidenced hereby shall constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its subsidiaries to employ Participant for any specific period.
10. Any notice required to be given hereunder to the Company shall be addressed to: CVS Caremark Corporation, Senior Vice President, Chief Human Resources Officer, One CVS Drive, Woonsocket, RI 02895. Any notice required to be given hereunder to Participant shall be addressed to such Participant at the address shown on the records of the Company, subject to the right of either party hereafter to designate, in writing, to the other, some other address.
11. All decisions and interpretations made by the Board of Directors or the Committee with regard to any question arising hereunder or under the ICP shall be binding and conclusive on all persons. In the event of any inconsistency between the terms hereof and the provisions of the ICP, the ICP shall govern.
12. The award of RSUs pursuant to this Agreement is expressly subject to and contingent upon the requirement that the Participant shall have fully executed and delivered to the Company the CVS Caremark Corporation 2013 Restrictive Covenant Agreement provided by the Company; provided that the Company in its sole discretion may waive such requirement if Participant is currently a party to another agreement with the Company setting forth restrictive covenants, such as non-competition, non-disclosure, and/or non-solicitation obligations. The applicable agreement containing the restrictive covenants the Company requires in connection with this award, whether previously executed or required to be executed in connection with this award, is hereafter referred to as the "Restrictive Covenant Agreement".
- If the Company intends to require Participant to execute and deliver a new Restrictive Covenant Agreement in connection with the grant hereunder, the Company shall provide such Restrictive Covenant Agreement to Participant and Participant agrees to execute and deliver such agreement by the deadline set forth by the Company, which shall be no less than ten days from the date it is provided to Participant. If Participant is currently subject to a Restrictive Covenant Agreement, Participant hereby affirms his or her agreement and intent to be bound by the restrictions in the Restrictive Covenant Agreement and to comply with all of its provisions.

Participant agrees that failure to execute and return the Restrictive Covenant Agreement, if required, shall result in the immediate and irrevocable forfeiture of the RSU Award hereunder and any right to receive dividend equivalents or Shares with respect thereto. Further, if Participant violates any provision of the applicable Restrictive Covenant Agreement, any unvested RSUs will be immediately and irrevocably forfeited, and no payment of any kind, including dividend equivalents or Shares, shall be payable with respect thereto. This Section shall not constitute the Company's exclusive remedy for Participant's violation of the Restrictive Covenant Agreement, and the Company may seek all available legal or equitable remedies in the event of Participant's violation or threatened of the Restrictive Covenant Agreement, including injunctive relief.

13. By accepting this Award, Participant acknowledges that a copy of the ICP has been made available by the Company for Participant's reference and agrees to be bound by the terms and conditions set forth in this Agreement and the ICP as in effect from time to time, including the requirement that Participant sign and return the Restrictive Covenant Agreement, as required by the Company as set forth in Section 12.
14. By accepting this Award, Participant further acknowledges that the Federal securities laws and/or Company's policies regarding trading in its securities may limit or restrict Participant's right to trade Shares, including without limitation, sales of Shares acquired in connection with RSUs. Participant agrees to comply with such

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Federal securities law requirements and Company policies as such laws and policies may be amended from time to time.

15. The Company intends that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and that to the extent any provisions of this Agreement do not comply with Code Section 409A the Company will make such changes in order to comply with Code Section 409A to the extent it considers reasonable. In all events, the provisions of CVS Caremark Corporation's 409A Universal Definitions Document are hereby incorporated by reference, and to the extent required to avoid a violation of the applicable rules under all Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A of the Code shall be delayed until the first business day of the seventh month immediately following the employment termination date. For purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to a "termination of employment" (and corollary terms) shall be construed to refer to a "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)). Notwithstanding the foregoing, the Company makes no representations as to the tax treatment or consequences of any payment made hereunder, and Participant, by accepting this Award, acknowledges that Participant shall be solely responsible for same.
16. The Award subject to this RSU Agreement under the ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting this Award, Participant acknowledges that the Company's Recoupment Policy has been made available for the Participant's reference.
17. This Agreement shall be governed by the laws of Delaware, without giving effect to its choice of law provisions.
18. This Agreement shall be fully effective only upon the Participant's formal acceptance of the terms and conditions set forth above as required by the Company.

By: _____

Lisa G. Bisaccia
Senior Vice President, Chief Human Resources Officer
CVS Caremark Corporation

Accepted By: _____

Participant Signature

Date

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CVS CAREMARK CORPORATION
PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT
GRANT DATE: FEBRUARY 19, 2013

Participant

Employee Number

RSUs (#)

(b) Participant hereby agrees that the Company may withhold from the dividend equivalent amounts referred to in Paragraph 3(a) above amounts sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.

- (a) one-third of the Shares underlying the RSU on the first anniversary of the Grant Date;
(c) one-third of the Shares underlying the RSU on the third anniversary of the Grant Date.

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(b) Notwithstanding Paragraph 3(a), to the extent dividends are paid on such deferred Shares following the Vesting Date and prior to the Settlement Date, Participant shall be entitled to receive a number of additional deferred Shares equal to (x) the amount of dividend per Share as declared by the Company's Board of Directors on the Company's common stock multiplied by (y) the number of deferred Shares held by Participant on the record date of such dividend, divided by (z) the FMV of a Share on such dividend payment date. The Company may decrease the number of additional deferred Shares calculated as provided herein by the number of Shares sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.

(b) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of death, RSUs not then vested in accordance with Paragraph 4 will become immediately vested and Vesting Date shall be the date of death.

(c) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of a "Qualified Retirement", RSUs not yet vested in accordance with Section 4 will become immediately vested. The Vesting Date shall be the effective date of the Participant's termination of employment. "Qualified Retirement" shall mean a Participant's termination of his or her employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of the date of his or her termination of employment or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause.

(d) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the RSUs shall vest on a pro rata basis as follows: the total number of RSUs vesting as of the termination date, which is the last day that the Participant is employed by the Company or any subsidiary of the Company shall be equal to (i) the number of RSUs granted on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed as of the termination date since the Grant Date and (B) the denominator shall be thirty-six (36) *minus* (ii) the number of RSUs that had vested prior to the termination date. For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the termination date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Vesting Date shall be the effective date of the Participant's termination of employment.

(e) In the event Participant's employment with the Company and any subsidiary of the Company terminates and Participant receives severance pay, RSUs not vested at the time of termination of employment but scheduled to vest during the severance period shall continue to vest during the severance period set forth in the agreement setting forth the severance pay in accordance with the schedule set forth in Section 4 of this PBRS Agreement. All RSUs not scheduled to vest during the specified severance period shall be forfeited on the employment termination date. During any severance period, Participant is eligible to receive dividend equivalents on outstanding RSUs as described in Paragraph 3(a) above.

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(f) Notwithstanding the above, (i) the provisions of Section 10 of the ICP shall apply in the event of a Change in Control (as defined in such Section 10) and (ii) the provisions of Section 7(e)(iv) of the ICP shall apply.

(g) For purposes of this Section 7, transfer of Participant's employment from the Company to a subsidiary of the Company, transfer among or between subsidiaries, or transfer from a subsidiary to the Company shall not be treated as termination of employment.

8. An RSU does not represent an equity interest in the Company and carries no voting rights. Participant shall have no rights of a shareholder with respect to the RSUs until the Shares have been delivered to Participant.
9. Neither the execution and delivery hereof nor the granting of the award evidenced hereby shall constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its subsidiaries to employ Participant for any specific period.
10. Any notice required to be given hereunder to the Company shall be addressed to: CVS Caremark Corporation, Senior Vice President, Chief Human Resources Officer, One CVS Drive, Woonsocket, RI 02895. Any notice required to be given hereunder to Participant shall be addressed to such Participant at the address shown on the records of the Company, subject to the right of either party hereafter to designate, in writing, to the other, some other address.
11. All decisions and interpretations made by the Board of Directors or the Committee with regard to any question arising hereunder or under the ICP shall be binding and conclusive on all persons. In the event of any inconsistency between the terms hereof and the provisions of the ICP, the ICP shall govern. 15.
12. By accepting this Award, Participant acknowledges that a copy of the ICP has been made available for the Participant's reference, and agrees to be bound by the terms and conditions set forth in this Agreement and the ICP as in effect from time to time.
13. By accepting this Award, Participant further acknowledges that the Federal securities laws and/or Company's policies regarding trading in its securities may limit or restrict Participant's right to buy or sell Shares, including without limitation, sales of Shares acquired in connection with RSUs. Participant agrees to comply with such Federal securities law requirements and Company policies as such laws and policies may be amended from time to time.
14. The company intends that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and the regulations and guidance thereunder (collectively, "Section 409A") and that to the extent any provisions of this PBRS Agreement do not comply with Section 409A the Company will make such changes as it deems reasonable in order to comply with Section 409A. In all events, the provisions of CVS Caremark Corporation's 409A Universal Definitions Document are hereby incorporated by reference and, notwithstanding any other provision of the Plan or this PBRS Agreement to the contrary, to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A shall be delayed until the first regular scheduled payroll date of the Company occurring after the expiration of the six (6) month period immediately following the date of termination of employment. For purposes of any provision of this PBRS Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the "termination of employment" (and corollary terms) shall be construed to refer to "separation from service" as determined under Section 409A. The Award subject to this PBRS Agreement under the Plan and ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting this Award, Participant acknowledges that the Company's Recoupment Policy has been made available for Participant's reference.
16. This Agreement shall be governed by the laws of Delaware, without giving effect to its choice of law provisions.

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By: s/ Lisa G. Bisaccia
 Senior Vice President, Chief Human Resources Officer
 CVS Caremark Corporation

2013 PBRS Agreement

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PARTNERSHIP EQUITY PROGRAM
Participant Purchased RSUs, Company Matching RSUs
and Company Matching Option Agreement

AGREEMENT, by and between CVS Caremark Corporation, a Delaware corporation (the "Company"), and _____ ("Participant"), effective on _____, herein after known as the "Grant Date" (this "Agreement").

WHEREAS, Participant has been selected as an employee eligible to invest under the Company's Partnership Equity Program (the "PEP") and has elected in the Participant's Election Form to invest \$_____ in the PEP, subject to the terms and conditions set forth in the PEP and in this Agreement;

WHEREAS, the Company desires to provide Participant with written evidence acknowledging Participant's investment under the PEP through Purchased RSUs and the corresponding grant of Company Matching RSUs and a Company Matching Option under the PEP.

WHEREAS, the provisions of the PEP and the Company's 2010 Incentive Compensation Plan (the "ICP") are hereby incorporated by reference and shall have the same force and effect as though fully set forth herein; Participant hereby acknowledges receipt of a copy of the PEP and the ICP at the time of receipt of this Agreement and agrees to be bound by such provisions (as presently in effect or hereafter amended); if any provision of this Agreement is inconsistent with a provision of the PEP or the ICP, the terms of the PEP and/or the ICP, or any successor thereto, shall control; capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the PEP or the ICP, as the case may be; and on the Grant Date specified above, the Fair Market Value (the "FMV") of a share of CVS Caremark Common Stock ("Stock") equals \$_____, which is the closing price on such date.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the parties hereto agree as follows:

I. PARTICIPANT PURCHASED RSUs AND COMPANY MATCHING RSUs

(A) **Participant Purchased RSUs.** The Company has received from Participant a completed Election Form authorizing the Company to apply designated future compensation of \$_____ to the purchase of Participant Purchased RSUs on the Grant Date under the PEP, and the Company has accordingly credited Participant's Account under the PEP with the Participant Purchased RSUs. The Participant Purchased RSUs (including any Participant Purchased RSUs credited to Participant pursuant to Section I(C)(ii)) shall be fully vested at all times.

(B) **Crediting of Company Matching RSUs.** As of the Grant Date, the Company hereby awards the Participant, subject to the terms and conditions set forth and incorporated in this Agreement and the PEP, _____ Company Matching RSUs.

(C) **Additional Transactions in Participant Accounts.**

(i) Each Participant Purchased RSU and Company Matching RSU represents a right to a future payment of one share of Stock, subject to applicable tax withholding.

(ii) To the extent that dividends are declared and paid on shares of Stock while the Participant Purchased RSUs and Company Matching RSUs remain outstanding and prior to a Settlement Date (as defined below), the Company shall credit to Participant's Purchased RSU account and Company Matching RSU account (as applicable) an additional number of Participant Purchased RSUs and Company Matching RSUs calculated by multiplying (a) the amount of dividend per share of Stock paid by the Company's Board of Directors by (b) the number of Participant Purchased RSUs and Company Matching RSUs held by Participant on the record date of such dividend, and dividing the product by (c) the FMV of a share of Stock on such dividend payment date.

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(iii) Provided, however, that if such dividend is paid prior to the Vesting Date of Participant Purchased RSUs and/or the Company Matching RSUs, as set forth in Section I (D) below, Participant shall not be entitled to any payment in respect of such dividend unless Participant is still employed by the Company on such dividend payment date.

(iv) Participant hereby agrees that, prior to the Settlement Date, the Company may withhold from the dividend equivalent amounts described to in Section I(C)(ii) amounts sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments, as applicable.

(D) **Vesting of Company Matching RSUs.** Subject to the terms and conditions of the PEP and this Agreement, and to Participant's continued employment through such date, the Company Matching RSUs, and the dividend equivalent amounts attributed to same, shall vest on the fifth (5th) anniversary of the Grant Date.

(E) **Settlement.**

(i) A "Settlement Date" shall mean the date shares of Stock are delivered to Participant pursuant to this Agreement.

(ii) Within fifteen (15) days following the earliest of the fifth (5th) anniversary of the Grant Date, Participant's death, termination of employment due to Participant's total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration), or a Change in Control, Participant shall be entitled to receive and the Company shall deliver to Participant the total number of shares of Stock (giving effect to Sections I(C)(ii) and I(C)(iv)) underlying the Company Matching RSUs vested as of such date. Notwithstanding the foregoing, no shares of Stock shall be delivered upon termination of employment unless such termination of employment is considered a "separation from service" (within the meaning given of Treasury Regulation § 1.409A-1(h) or successor guidance thereto).

(iii) Subject to the rules promulgated by the Committee, the terms of the CVS Caremark Deferred Stock Compensation Plan and Section 409A, Participant may elect to defer settlement of Participant Purchased or Company Matching RSUs covered by this Agreement.

II. COMPANY MATCHING OPTION

(A) **Grant of Option.** The Company hereby awards and evidences the grant to Participant, subject to the terms and conditions incorporated in this Agreement, the right, and option, to purchase from the Company _____ shares of Stock, with an exercise price per share of Stock equal to the FMV of a share of Stock on the Grant Date, such Company Matching Option to be exercised as hereinafter provided. The Company Matching Option is a nonqualified option as defined in the ICP.

(B) **Term of Company Matching Option.** The term of this Company Matching Option shall be for a period of ten (10) years from the Grant Date, subject to the earlier termination of the Company Matching Option, as set forth in the ICP and in this Agreement.

(C) **Vesting and Exercise of Company Matching Option**

(i) Prior to its expiration or termination, and except as otherwise provided herein, the Company Matching Option shall vest and may be exercised by Participant, provided Participant has maintained continuous employment with the Company or a subsidiary of the Company from the Grant Date until the applicable vesting date, within the following time limitations:

- a. On or after three (3) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to one-third (1/3) of the shares of Stock subject to the Company Matching Option;
- b. On or after four (4) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to an aggregate of two-thirds (2/3) of the shares of Stock subject to the Company Matching Option; and
- c. On or after five (5) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to all of the shares of Stock subject to the Company Matching Option.

(ii) The Company Matching Option, subject to the provisions of the ICP, shall be exercised by submitting a request to exercise to the Company's stock option administrator, in accordance with the Company's current exercise policies and procedures, specifying the number of shares of Stock to be purchased, which number may not be less than one hundred (100) shares of Stock (unless the number of shares

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of Stock purchased is the total balance which is then exercisable). Unless the Company, in its discretion, establishes "cashless exercise" procedures and permits Participant entitled to exercise the Company Matching Option to utilize such "cashless exercise" procedures, Participant so exercising all or part of this Company Matching Option shall, at the time of exercise, tender to the Company cash or cash equivalent for the aggregate exercise price of the shares of Stock Participant has elected to purchase or certificates for shares of Stock of the Company already owned by Participant for at least six (6) months with an aggregate FMV at least equal to the aggregate exercise price of the shares of Stock Participant has elected to purchase, or a combination of the foregoing.

(D) **Company Matching Option Expiration.** The Company Matching Option shall be exercisable only as provided above and shall expire at the close of business on the tenth (10th) anniversary of its Grant Date or such earlier expiration date as described in Section III below.

III. TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL

(A) Except as provided in Sections III(B)-(G) below, if, for any reason, Participant's employment with the Company and any subsidiary of the Company terminates, all Company Matching RSUs and the Company Matching Option to the extent not then vested in accordance with Sections I(D) and II(C)(ii) above shall be immediately forfeited.

(B) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of death, Company Matching RSUs and the Company Matching Option will vest in full as of the date of death and the Company Matching Option shall be exercisable by the Participant's executor, administrator, personal representative or any person or persons who acquired the Company Matching Option directly from the Participant by bequest or inheritance during the twelve (12) month period following the date of death, as long as no government regulations or rules are violated by such accelerated vesting or exercise period; provided, however, that no Company Matching Option will be exercisable beyond its original term.

(C) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration), the Company Matching RSUs and the Company Matching Option shall vest on a pro rata basis as follows:

- (i) the Company Matching RSUs shall be vested as of Participant's employment termination date (which is the last day that the Participant is employed by the Company or any subsidiary of the Company) shall be equal to the number of Company Matching RSUs multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed since the Grant Date and (B) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the Separation Date is eight months and five days, the numerator in sub-section (A) above shall be nine.
- (ii) the Company Matching Option shall be vested as of Participant's employment termination date with respect to the number of shares of Stock subject to the Company Matching Option, multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed since the Grant Date and (B) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the Separation Date is eight months and five days, the numerator in sub-section (A) above shall be nine.
- (iii) the vested portion of the Company Matching Option shall be exercisable during the twelve (12) month period following Participant's employment termination date, as long as no government regulations or rules are violated by such accelerated vesting or exercise period; provided, however, that the Company Matching Option shall not be exercisable beyond its original term.

(D) **Termination of Employment without Cause.** In the event that Participant's employment with the Company and any subsidiary of the Company terminates and Participant receives severance pay pursuant to a written agreement with the Company, Participant's Company Matching RSUs and the Company Matching Option to the extent not vested at the time of the Participant's employment termination date but scheduled to vest during the severance period specified in the agreement providing for severance pay shall continue to vest and settle in accordance with the schedule set forth in Section I (D) and Section II(C)(i), respectively, of this Agreement. Participant will be responsible for any applicable withholding taxes that may become due as of Participant's employment termination date. All Company Matching RSUs and the Company Matching Option to the extent not scheduled to vest during the specified severance period shall be forfeited as of the Participant's employment termination date. To the extent vested, the Company

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Matching Option shall be exercisable on or before the ninetieth (90th) day following the last day of the severance period, as long as no government regulations or rules are violated by such continued vesting or exercise period; provided, however, that the Company Matching Option shall not be exercisable beyond its original term.

(E) **Retirement.** "Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause.

- (i) In the event Participant's termination of employment qualifies as a Qualified Retirement, Participant may exercise the Company Matching Option to the extent vested as of Participant's retirement date at any time within two (2) years after Participant's retirement date, but not beyond the original term of the Company Matching Option. To the extent unvested as of the retirement date, the Company Matching Option shall be forfeited. The Committee shall have the authority in its sole discretion to make any interpretations, determinations, and/or take any administrative actions with respect to whether Participant has experienced a Qualified Retirement.
- (ii) Company Matching RSUs that are unvested as of the Participant's retirement date are forfeited as of the retirement date.
- (iii) In the event Participant's termination of employment qualifies as a Qualified Retirement and Participant also enters into a severance agreement with the Company, the terms of Section III(D) shall apply with respect to the vesting and settlement of the Company Matching RSUs and the Company Matching Option.

successor thereto, shall apply in the event of a Change in Control.

(G) For purposes of this Section III, transfer of employment by Participant from the Company to a subsidiary of the Company, transfer among or between subsidiaries, transfer from a subsidiary to the Company or any other continuation of employment with the Company or a subsidiary after termination by a related entity shall not be treated as termination of employment.

IV. NON-COMPETITION. The grant of RSUs pursuant to this Agreement is expressly subject to and contingent upon the requirement that the Participant shall have fully executed and delivered to the Company the CVS Caremark Corporation Restrictive Covenant Agreement provided by the Company; provided that the Company in its sole discretion may waive such requirement if Participant is currently a party to another agreement with the Company setting forth restrictive covenants, such as non-competition, non-disclosure, and/or non-solicitation obligations. The applicable agreement containing the restrictive covenants the Company requires in connection with this Award, whether previously executed or required to be executed in connection with this Award, is hereafter referred to as the "Restrictive Covenant Agreement".

If the Company intends to require Participant to execute and deliver a new Restrictive Covenant Agreement in connection with the Award hereunder, the Company shall provide such Restrictive Covenant Agreement to Participant and Participant agrees to execute and deliver such agreement by the deadline set forth by the Company, which shall be no less than ten days from the date it is provided to Participant. If Participant is currently subject to a Restrictive Covenant Agreement, Participant hereby affirms his or her agreement and intent to be bound by the restrictions in the Restrictive Covenant Agreement and to comply with all of its provisions.

Participant agrees that failure to execute and return the Restrictive Covenant Agreement, if required, shall result in the immediate and irrevocable forfeiture of the RSU Award hereunder and any right to receive dividend equivalents or Shares with respect thereto. Further, if Participant violates any provision of the applicable Restrictive Covenant Agreement, any unvested RSUs will be immediately and irrevocably forfeited, and no payment of any kind, including dividend equivalents or Shares, shall be payable with respect thereto. This Section shall not constitute the Company's exclusive remedy for Participant's violation of the Restrictive Covenant Agreement, and the Company may seek all available legal or equitable remedies in the event of Participant's violation or threatened violation of the Restrictive Covenant Agreement, including injunctive relief.

V. MISCELLANEOUS

(A) **Withholding Tax.** Participant may be subject to withholding taxes as a result of the exercise of the Company Matching Option or settlement of Participant Purchased RSUs or Company Matching RSUs. Except as may

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otherwise be elected by Participant, the number of shares of Stock to be delivered by the Company to Participant shall be reduced by the smallest number of shares of Stock having a FMV at least equal to the dollar amount of federal, state or local tax withholding required to be withheld by the Company with respect to such exercise or settlement. Any shares of Stock so withheld or tendered will be valued as of the date they are withheld or tendered. In lieu of having the number of shares of Stock underlying the applicable award reduced, Participant may elect to pay to the Company in cash, promptly when the amount of

such obligations become determinable, all applicable federal, state, local and foreign withholding taxes that result from each such exercise or settlement. Such election may be made electronically or in writing at any time prior to the exercise date or Settlement Date, as applicable.

(B) **Recoupment.** This Award under the ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting this Award, Participant acknowledges that the Company's Recoupment Policy has been made available for Participant's reference.

(C) **Certain Terms and Conditions of the PEP.** Participant acknowledges and agrees that the terms and conditions of the PEP preclude all transfers of Participant Purchased RSUs, all Company Matching RSUs, and the Company Matching Option, except in limited circumstances in the event of Participant's death, impose a risk of forfeiture on Company Matching RSUs and the Company Matching Option, relieve the Company of certain obligations unless and until laws and regulations have been complied with, provide for adjustments to Participant Purchased RSUs, Company Matching RSUs, and the Company Matching Option upon the occurrence of certain events, and specify the state law which shall govern this Agreement, without giving effect to principles of conflict of laws.

(D) **Binding Agreement.** This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties. In particular, Participant's heirs, executors, administrators, and successors shall be subject to the terms and conditions of the PEP, ICP and this Agreement, and the Company may require any such person to execute an agreement or other documents acknowledging and agreeing to such terms and conditions as a condition precedent to any transfer of rights hereunder or shares of Stock issuable under the PEP, including upon exercise of the Company Matching Option, into the name of any such person.

(E) **Integration Clause; Amendments to Agreement.** This Agreement, together with the PEP and the ICP, constitutes the entire Agreement between the parties with respect to the PEP, and supersedes any prior agreements or documents with respect thereto. This Agreement may be amended, but no amendment or other change which may impose any additional obligation upon the Company or materially impair the rights of Participant under the PEP shall be valid unless contained in a writing signed by the party to be bound thereby.

(F) **Employment.** Neither the execution and delivery hereof nor the granting of the Company Matching RSUs or the Company Matching Option evidenced hereby shall constitute or be evidence of any agreement or understanding, expressed or implied, on the part of the Company or its subsidiaries to employ Participant for any specific period.

(G) **Acceptance of Award.** Acceptance may be submitted either electronically, if available, or in writing. The Company Matching Option may not be exercised unless and until the Company has received acceptance by the Participant of the terms and conditions set forth herein.

(H) **Company Matching RSUs.** Neither a Company Matching RSU nor a Participant Purchased RSU represents an equity interest in the Company and neither carries any voting rights. Except as otherwise specifically provided herein, Participant shall have no rights of a shareholder with respect to the RSUs until the related shares of Stock have been delivered to Participant.

(I) **Section 409A.** The Company intends that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and that to the extent any provisions of this Agreement do not comply with Code Section 409A the Company will make such changes in order to comply with Code Section 409A to the extent it considers reasonable. In all events, the provisions of CVS Caremark Corporation's 409A Universal Definitions Document are hereby incorporated by reference and to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A of the Code shall be delayed until the first business day of the seventh month immediately following the employment termination date. For purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the "termination of employment" (and corollary terms) shall be construed to refer to "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)). Notwithstanding the foregoing,

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the Company makes no representations as to the tax treatment or consequences of any payment made hereunder, and Participant, by accepting this Award, acknowledges that Participant shall be solely responsible for same.

(J) **Notices.** Any notice hereunder to the Company shall be addressed to One CVS Drive, Woonsocket, RI 02895, Attention: Senior Vice President, Chief Human Resources Officer, and any notice required to be given hereunder to Participant shall be addressed to Participant at his or her address as shown on the records of the Company, subject to the right of either party to designate in writing some other address for notices.

By: s/Lisa G. Disaccia
Senior Vice President
Chief Human Resources Officer
CVS CAREMARK CORPORATION

Accepted by: _____
Participant Signature

EMPLID

Date

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PARTNERSHIP EQUITY PROGRAM
Participant Purchased Share, Company Matching RSUs
and Company Matching Option Agreement

AGREEMENT, by and between CVS Caremark Corporation, a Delaware corporation (the "Company"), and _____ ("Participant"), effective on _____, herein after known as the "Grant Date" (this "Agreement").

WHEREAS, Participant has been selected as an employee eligible to invest under the Company's Partnership Equity Program (the "PEP"), and has elected in the Participant's Election Form to invest \$ _____ in the PEP, subject to the terms and conditions set forth in the PEP and in this Agreement.

WHEREAS, the Company desires to provide Participant with written evidence acknowledging Participant's investment under the PEP through Participant Purchased Shares and the corresponding grant of Company Matching RSUs and a Company Matching Option under the PEP.

WHEREAS, the provisions of the PEP and the Company's 2010 Incentive Compensation Plan (the "ICP") are hereby incorporated by reference and shall have the same force and effect as though fully set forth herein; Participant hereby acknowledges receipt of a copy of the PEP and the ICP at the time of receipt of this Agreement and agrees to be bound by such provisions (as presently in effect or hereafter

amended); if any provision of this Agreement is inconsistent with a provision of the PEP or the ICP, the terms of the PEP and/or the ICP, or any successor thereto, shall control; capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the PEP, or the ICP, as the case may be; and on the Grant Date specified above, the Fair Market Value (the "FMV") of a share of CVS Caremark Common Stock ("Stock") equals \$_____, which is the closing price on such date.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the parties hereto agree as follows:

I. PARTICIPANT PURCHASED SHARES AND COMPANY MATCHING RSUs

(A) Participant Purchased Shares

- (i) The Company has received from Participant a completed Election Form pursuant to which the Participant elects to invest the amount of \$_____ in Participant Purchased Shares under the PEP. Participant's Post-Tax Investment Date must occur within thirty (30) days of the Grant Date, and Participant must provide evidence to the Company of Participant's purchase and ownership of the Participant Purchased Shares with a value as of the Post-Tax Investment Date equal to the elected investment amount in accordance with the PEP within thirty (30) days of the Grant Date.
- (ii) Alternatively, Participant has demonstrated to the Company that he or she owns a sufficient number of shares of Stock in his or her own name, provided such shares of Stock are not held in a qualified 401(k) plan or in a nonqualified deferred stock compensation plan, having a FMV, on the Grant Date, at least equal to the amount elected by the Participant on the Election Form. In such event, such shares of Stock owned by Participant shall be designated as Participant Purchased Shares for purposes of this Agreement and the PEP.
- (iii) Participant must provide to the Company on a semi-annual basis until the fifth (5th) anniversary of the Grant Date a brokerage statement or other evidence satisfactory to the Company that he or she has continued to maintain the number of Participant Purchased Shares as were owned by Participant on the Grant Date and/or the Post-Tax Investment Date.
- (iv) In accordance with the PEP, if Participant disposes of Participant Purchased Shares prior to the fifth (5th) anniversary of the Grant Date, either in whole or in part, Participant will immediately forfeit a proportionate amount of the Company Matching RSUs and Company Matching Options that are unvested as of the date of such disposition.

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(B) **Crediting of Company Matching RSUs.** As of the Grant Date, the Company hereby awards the Participant, subject to the terms and conditions set forth and incorporated in this Agreement and the PEP, _____ Company Matching RSUs.

(C) Additional Transactions in Participant Accounts

- (i) Each Company Matching RSU represents a right to a future payment of one share of Stock, subject to applicable tax withholding.
- (ii) To the extent that dividends are declared and paid on shares of Stock while the Company Matching RSUs remain outstanding and prior to a Settlement Date (as defined below), the Company shall credit to Participant's Matching RSU account (as applicable) an additional number of Company Matching RSUs calculated by multiplying (a) the amount of dividend per share of Stock paid by the Company's Board of Directors by (b) the number of Company Matching RSUs held by Participant on the record date of such dividend and dividing the product by (c) the FMV of a share of Stock on such dividend payment date.
- (iii) Provided, however, that if such dividend is paid prior to the Vesting Date of the Company Matching RSUs, as set forth in Section I (D) below, Participant shall not be entitled to any payment in respect of such dividend unless Participant is still employed by the Company on such dividend payment date.
- (iv) Participant hereby agrees that, prior to the Settlement Date, the Company may withhold from the dividend equivalent amounts described in Section I(C)(ii) amounts sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments, as applicable.

(D) Vesting of Company Matching RSUs.

Subject to the terms and conditions of the PEP and this Agreement, and to Participant's continued employment through such date, the Company Matching RSUs, and the dividend equivalent amounts attributed to same, shall vest on the fifth (5th) anniversary of the Grant Date

(E) Settlement

- (i) A "Settlement Date" shall mean the date shares of Stock are delivered to Participant pursuant to this Agreement.
- (ii) Within fifteen (15) days following the earliest of the fifth (5th) anniversary of the Grant Date, Participant's death, termination of employment due to Participant's total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration), or a Change in Control, Participant shall be entitled to receive and the Company shall deliver to Participant the total number of shares of Stock (giving effect to Sections I(C)(ii) and I(C)(iv)) underlying the Company Matching RSUs vested as of such date. Notwithstanding the foregoing, no shares of Stock shall be delivered upon termination of employment unless such termination of employment is considered a "separation from service" (within the meaning given of Treasury Regulation §1.409A-1(h) or successor guidance thereto).
- (iii) Subject to the rules promulgated by the Committee, the terms of the CVS Caremark Deferred Stock Compensation Plan and Section 409A, Participant may elect to defer settlement of Company Matching RSUs covered by this Agreement.

II. COMPANY MATCHING OPTION

(A) **Grant of Option.** The Company hereby awards and evidences the grant to Participant, subject to the terms and conditions incorporated in this Agreement, the right and option, to purchase from the Company _____ shares of Stock, with an exercise price per share of Stock equal to the FMV of a share of Stock on the Grant Date, such Company Matching Option to be exercised as hereinafter provided. The Company Matching Option is a nonqualified option as defined in the ICP.

(B) **Term of Company Matching Option.** The term of this Company Matching Option shall be for a period of ten (10) years from the Grant Date, subject to the earlier termination of the Company Matching Option, as set forth in the ICP and in this Agreement.

(C) Vesting and Exercise of Company Matching Option.

- (i) Prior to its expiration or termination, and except as otherwise provided herein, the Company Matching Option shall vest and may be exercised by Participant, provided Participant has maintained continuous

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employment with the Company or a subsidiary of the Company from the Grant Date until the applicable vesting date, within the following time limitations:

- a. On or after three (3) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to one-third (1/3) of the shares of Stock subject to the Company Matching Option;
- b. On or after four (4) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to an aggregate of two-thirds (2/3) of the shares of Stock subject to the Company Matching Option; and
- c. On or after five (5) years from the Grant Date, the Company Matching Option shall be vested and may be exercised as to all of the shares of Stock subject to the Company Matching Option.
- (ii) The Company Matching Option, subject to the provisions of the ICP, shall be exercised by submitting a request to exercise to the Company's stock option administrator, in accordance with the Company's current exercise policies and procedures, specifying the number of shares of Stock to be purchased, which number may not be less than one hundred (100) shares of Stock (unless the number of shares of Stock purchased is the total balance which is then exercisable). Unless the Company, in its discretion, establishes "cashless exercise" procedures and permits Participant entitled to exercise the Company Matching Option to utilize such "cashless exercise" procedures, Participant so exercising all or part of this Company Matching Option shall, at the time of exercise, tender to the Company cash or cash equivalent for the aggregate exercise price of the shares of Stock Participant has elected to purchase or certificates for shares of Stock of the Company already owned by Participant for at least six (6) months with an aggregate FMV at least equal to the aggregate exercise price of the shares of Stock Participant has elected to purchase, or a combination of the foregoing.

(D) **Company Matching Option Expiration.** The Company Matching Option shall be exercisable only as provided above and shall expire at the close of business on the tenth (10th) anniversary of its Grant Date or such earlier expiration date as described in Section III below.

III. TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL

(A) Except as provided in Sections III(B)-(G) below, if, for any reason, Participant's employment with the Company and any subsidiary of the Company terminates, all Company Matching RSUs and the Company Matching Option to the extent not then vested in accordance with Sections I(D) and II(C)(i) above shall be immediately forfeited.

(B) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of death, Company Matching RSUs and the Company Matching Option will vest in full as of the date of death, and the Company Matching Option shall be exercisable by the Participant's executor, administrator, personal representative or any person or persons who acquired the Company Matching Option directly from the Participant by bequest or inheritance during the twelve (12) month period following the date of death, as long as no government regulations or rules are violated by such accelerated vesting or exercise period; provided, however, that no Company Matching Option will be exercisable beyond its original term.

(C) In the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such plan, as defined by the Social Security Administration), the Company Matching RSUs and the Company Matching Option shall vest on a pro rata basis as follows:

- (i) the Company Matching RSUs shall be vested as of Participant's employment termination date (which is the last day that the Participant is employed by the Company or any subsidiary of the Company) shall be equal to the number of Company Matching RSUs multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed since the Grant Date and (B) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the Separation Date is eight months and five days, the numerator in sub-section (A) above shall be nine.
- (ii) the Company Matching Option shall be vested as of Participant's employment termination date with respect to the number of shares of Stock subject to the Company Matching Option multiplied by the

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following fraction: (A) the numerator shall be the whole number of months elapsed since the Grant Date and (B) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the Separation Date is eight months and five days, the numerator in sub-section (A) above shall be nine.

- (iii) the vested portion of the Company Matching Option shall be exercisable during the twelve (12) month period following Participant's employment termination date, as long as no government regulations or rules are violated by such accelerated vesting or exercise period; provided, however, that the Company Matching Option shall not be exercisable beyond its original term.

(D) **Termination of Employment without Cause.** In the event that Participant's employment with the Company and any subsidiary of the Company terminates and Participant receives severance pay pursuant to a written agreement with the Company, Participant's Company Matching RSUs and the Company Matching Option to the extent not vested at the time of the Participant's employment termination date but scheduled to vest during the severance period specified in the agreement providing for severance pay shall continue to vest and settle in accordance with the schedule set forth in Section I (D) and Section II(C)(i), respectively, of this Agreement. Participant will be responsible for any applicable withholding taxes that may become due as of Participant's employment termination date. All Company Matching RSUs and the Company Matching Option to the extent not scheduled to vest during the specified severance period shall be forfeited as of the Participant's employment termination date. To the extent vested, the Company Matching Option shall be exercisable on or before the nineteenth (90th) day following the last day of the severance period, as long as no government regulations or rules are violated by such continued vesting or exercise period; provided, however, that the Company Matching Option shall not be exercisable beyond its original term.

(E) **Retirement.** "Qualified Retirement" shall mean termination of employment after attainment of age fifty-five (55) with at least ten (10) years of continuous service, or attainment of age sixty (60) with at least five (5) years of continuous service, provided that: (i) if Participant elects to terminate his or her employment voluntarily, Participant has provided the Company with at least twelve (12) months advance notice of his or her retirement date or such other term of advance notice as is determined by the Chief Human Resources Officer of the Company; or (ii) if the Company elects to terminate Participant's employment, then such termination is without cause.

- (i) In the event Participant's termination of employment qualifies as a Qualified Retirement, Participant may exercise the Company Matching Option to the extent vested as of Participant's retirement date, at any time within two (2) years after Participant's retirement date, but not beyond the original term of the Company Matching Option. To the extent unvested as of the retirement date, the Company Matching Option shall be forfeited. The Committee shall have the authority in its sole discretion to make any interpretations, determinations, and/or take any administrative actions with respect to whether Participant has experienced a Qualified Retirement.

- (ii) Company Matching RSUs that are unvested as of the Participant's retirement date are forfeited as of the retirement date.

- (iii) In the event Participant's termination of employment qualifies as a Qualified Retirement and Participant also enters into a severance agreement with the Company, the terms of Section III(D) shall apply with respect to the vesting and settlement of the Company Matching RSUs and the Company Matching Option.

successor thereto, shall apply in the event of a Change in Control.

(G) For purposes of this Section III, transfer of employment by Participant from the Company to a subsidiary of the Company, transfer among or between subsidiaries, transfer from a subsidiary to the Company or any other continuation of employment with the Company or a subsidiary after termination by a related entity shall not be treated as termination of employment.

IV. NON-COMPETITION The grant of RSUs pursuant to this Agreement is expressly subject to and contingent upon the requirement that the Participant shall have fully executed and delivered to the Company the CVS Caremark Corporation Restrictive Covenant Agreement provided by the Company; provided that the Company in its sole discretion may waive such requirement if Participant is currently a party to another agreement with the Company setting forth restrictive covenants, such as non-competition, non-disclosure, and/or non-solicitation obligations. The applicable agreement containing the restrictive covenants the Company requires in connection with this Award, whether previously executed or required to be executed in connection with this Award, is hereafter referred to as the "Restrictive Covenant Agreement".

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If the Company intends to require Participant to execute and deliver a new Restrictive Covenant Agreement in connection with the Award hereunder, the Company shall provide such Restrictive Covenant Agreement to Participant and Participant agrees to execute and deliver such agreement by the deadline set forth by the Company, which shall be no less than ten days from the date it is provided to Participant. If Participant is currently subject to a Restrictive Covenant Agreement, Participant hereby affirms his or her agreement and intent to be bound by the restrictions in the Restrictive Covenant Agreement and to comply with all of its provisions.

Participant agrees that failure to execute and return the Restrictive Covenant Agreement, if required, shall result in the immediate and irrevocable forfeiture of the RSU Award hereunder and any right to receive dividend equivalents or Shares with respect thereto. Further, if Participant violates any provision of the applicable Restrictive Covenant Agreement, any unvested RSUs will be immediately and irrevocably forfeited, and no payment of any kind, including dividend equivalents or Shares, shall be payable with respect thereto. This Section shall not constitute the Company's exclusive remedy for Participant's violation of the Restrictive Covenant Agreement, and the Company may seek all available legal or equitable remedies in the event of Participant's violation or threatened violation of the Restrictive Covenant Agreement, including injunctive relief.

V. MISCELLANEOUS

(A) **Withholding Tax.** Participant may be subject to withholding taxes as a result of the exercise of the Company Matching Option or settlement of Company Matching RSUs. Except as may otherwise be elected by Participant, the number of shares of Stock to be delivered by the Company to Participant shall be reduced by the smallest number of shares of Stock having a FMV at least equal to the dollar amount of federal, state or local tax withholding required to be withheld by the Company with respect to such exercise or settlement. Any shares of Stock so withheld or tendered will be valued as of the date they are withheld or tendered. In lieu of having the number of shares of Stock underlying the applicable award reduced, Participant may elect to pay to the Company in cash, promptly when the amount of such obligations become determinable, all applicable federal, state, local and foreign withholding taxes that result from each such exercise or settlement. Such election may be made electronically or in writing at any time prior to the exercise date or Settlement Date, as applicable.

(B) **Recoupment.** This Award under the ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require Participant to immediately repay to the Company the value of any pre-tax economic benefit that he or she may derive from the Award. By accepting this Award, Participant acknowledges that the Company's Recoupment Policy has been made available for Participant's reference.

(C) **Certain Terms and Conditions of the PEP.** Participant acknowledges and agrees that the terms and conditions of the PEP preclude all transfers of Participant Purchased Shares, all Company Matching RSUs, and the Company Matching Option, except in limited circumstances in the event of Participant's death, impose a risk of forfeiture on Company Matching RSUs and the Company Matching Option, relieve the Company of certain obligations unless and until laws and regulations have been complied with, provide for adjustments to Participant Purchased Shares, Company Matching RSUs, and the Company Matching Option upon the occurrence of certain events, and specify the state law which shall govern this Agreement, without giving effect to principles of conflict of laws.

(D) **Binding Agreement.** This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties. In particular, Participant's heirs, executors, administrators, and successors shall be subject to the terms and conditions of the PEP, ICP, and this Agreement, and the Company may require any such person to execute an agreement or other documents acknowledging and agreeing to such terms and conditions as a condition precedent to any transfer of rights hereunder or shares of Stock issuable under the PEP, including upon exercise of the Company Matching Option, into the name of any such person.

(E) **Integration Clause: Amendments to Agreement** This Agreement, together with the PEP and the ICP, constitutes the entire Agreement between the parties with respect to the PEP, and supersedes any prior agreements or documents with respect thereto. This Agreement may be amended, but no amendment or other change which may impose any additional obligation upon the Company or materially impair the rights of Participant under the PEP shall be valid unless contained in a writing signed by the party to be bound thereby.

(F) **Employment** Neither the execution and delivery hereof nor the granting of the Company Matching RSUs or the Company Matching Option evidenced hereby shall constitute or be evidence of any agreement or understanding, expressed or implied, on the part of the Company or its subsidiaries to employ Participant for any specific period.

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(G) **Acceptance of Award** Acceptance may be submitted either electronically, if available, or in writing. The Company Matching Option may not be exercised unless and until the Company has received acceptance by the Participant of the terms and conditions set forth herein.

(H) **Company Matching RSUs** Company Matching RSUs do not represent an equity interest in the Company and do not carry any voting rights. Except as otherwise specifically provided herein, Participant shall have no rights of a shareholder with respect to the RSUs until the related shares of Stock have been delivered to Participant.

(I) **Section 409A** The Company intends that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and that to the extent any provisions of this Agreement do not comply with Code Section 409A the Company will make such changes in order to comply with Code Section 409A to the extent it considers reasonable. In all events, the provisions of CVS Caremark Corporation's 409A Universal Definitions Document are hereby incorporated by reference and to the extent required to avoid a violation of the applicable rules under Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A of the Code shall be delayed until the first business day of the seventh month immediately following the employment termination date. For purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to the "termination of employment" (and corollary terms) shall be construed to refer to "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)). Notwithstanding the foregoing, the Company makes no representations as to the tax treatment or consequences of any payment made hereunder, and Participant, by accepting this Award, acknowledges that Participant shall be solely responsible for same.

(J) **Notices** Any notice hereunder to the Company shall be addressed to One CVS Drive, Woonsocket, RI 02895, Attention: Senior Vice President, Chief Human Resources Officer, and any notice required to be given hereunder to Participant shall be addressed to Participant at his or her address as shown on the records of the Company, subject to the right of either party to designate in writing some other address for notices.

By: s/Lisa G. Bisaccia
Senior Vice President
Chief Human Resources Officer
CVS CAREMARK CORPORATION

Accepted by: _____
[NAME]

[Employee ID #]

Date

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CVS CAREMARK CORPORATION
BUSINESS PLANNING COMMITTEE
NONQUALIFIED STOCK OPTION AGREEMENT
ANNUAL GRANT

GRANT DATE: APRIL __, 20__

1. **GRANT OF OPTION** Pursuant to the provisions of the 2010 Incentive Compensation Plan, as amended (the "ICP") of CVS Caremark Corporation (the "Company"), on the date set forth above (the "Grant Date"), the Company has granted and hereby evidences the grant to the person named below (the "Participant"), subject to the terms and conditions set forth or incorporated in this Nonqualified Stock Option Agreement ("Agreement"), the right, and option, to purchase from the Company the aggregate number of shares of Common Stock (\$.01 par value) of the Company ("Shares") set forth below, at the purchase price indicated below (the "Option"), the Option to be exercised as hereinafter provided. The ICP is hereby made a part hereof and Participant agrees to be bound by all the provisions of the ICP. Capitalized terms not otherwise defined herein shall have the meaning assigned to such term(s) in the ICP. The provisions in this Agreement shall be read in concert with the Amended and Restated Employment Agreement dated as of December 22, 2008, as amended as of December 21, 2012 (the "Employment Agreement") and the ICP. In the event of any ambiguity concerning the coordination of the provisions of this Agreement and the Employment Agreement, the terms of the document which provide Participant with the most favorable treatment with respect to the Option shall govern. The Option is a nonqualified option as defined in the ICP. The Option purchase price per Share as stated below is equal to the Fair Market Value per Share as of the Grant Date.

Participant: Larry Merlo
Employee ID: XXXXXX
Shares: XXXXXX
Option Price: \$XX.XX

2. **TERM OF OPTION** The term of the Option shall be for a period of seven (7) years from the Grant Date, subject to the earlier termination of the Option, as set forth in the ICP and in this Agreement. No portion of the Option shall be exercisable after the term of the Option.

3. **EXERCISE OF OPTION** (a) The Option, subject to the provisions of the ICP, shall be exercised by submitting a request to exercise to the Company's stock option administrator, in accordance with the Company's current exercise policies and procedures, specifying the number of Shares to be purchased, which number may not be less than one hundred (100) Shares (unless the number of Shares purchased is the total balance which is then exercisable). Unless the Company, in its discretion, establishes "cashless exercise" procedures and permits Participant entitled to exercise the Option to utilize such "cashless exercise" procedures, Participant so exercising all or part of this Option shall, at the time of exercise, tender to the Company cash or cash equivalent for the aggregate option price of the Shares Participant has elected to purchase or certificates for Shares of Common Stock of the Company owned by Participant for at least six (6) months with a fair market value at least equal to the aggregate option price of the Shares Participant has elected to purchase, or a combination of the foregoing.

(b) Prior to its expiration or termination and except as otherwise provided herein, the Option will become vested in accordance with the vesting schedule set forth below and any vested Option will be exercisable by Participant so long as Participant has maintained continuous employment with the Company or a subsidiary of the Company from the Grant Date through the exercise date:

(iii) 25% of the Option shall vest on the 3rd anniversary of the Grant Date; (iv) 25% of the Option shall vest on the 4th anniversary of the Grant Date.

4. **TAXES.** If, upon the exercise of an Option, there shall be payable by the Company any amount for tax withholding, the Company shall have the right to require Participant to pay the amount of such taxes immediately, upon notification from the Company, before a certificate for the Shares purchased is delivered to Participant pursuant to such Option. Furthermore, the Company may elect to deduct such taxes from any other amounts then payable to Participant in cash or in Shares or from any other amounts payable any time thereafter to Participant.

5. **TRANSFERABILITY.** The Option may be transferred to and may thereafter be exercised by one or more members of Participant's immediate family, by a trust established by Participant for the benefit of one or more members of Participant's immediate family, or by a partnership of Company of which the only owners are members of Participant's immediate family (the "Transferee(s)"); provided, that no portion of the Option may be transferred until such time as it becomes vested and exercisable pursuant to Section 3(b) hereof, and further provided that no more than fifty percent (50%) of the exercisable Option may be transferred by Participant. An "immediate family member" shall mean Participant's spouse, parents, children, grandchildren and the spouses of such parents, children and grandchildren. Transferee will be subject to all terms and conditions applicable to the Option prior to its transfer. Transferee may not again transfer the Option. In order to transfer the Option, Participant must notify the Company in the form of a "Notice of Transfer of Nonqualified Stock Option" (which form may be obtained from the Company's Legal Department) of such transfer and include the name, address and social security number of Transferee, as well as the relationship of Transferee to Participant.

6. **TERMINATION OF EMPLOYMENT.** Unless otherwise provided for in the ICP, this Agreement or the Employment Agreement as amended from time to time, the Option (whether vested or unvested), to the extent not yet exercised, shall be forfeited immediately upon Participant's termination of employment with the Company or any of its subsidiaries.

(a) With respect to terminations addressed in the Employment Agreement, the provisions of the Employment Agreement as amended from time to time shall apply and continue to apply, except as set forth in this Section 6, notwithstanding any termination of the Employment Agreement.

(b) Retirement. In the event of an "Approved Early Retirement" or "Normal Retirement" as such terms are defined in the Employment Agreement, the Option shall vest and be exercisable in accordance with Section 10(f) of the Employment Agreement as amended from time to time; provided that the Option, to the extent fully vested as of the Approved Early Retirement or Normal Retirement shall remain exercisable for the three (3) year period immediately following the Approved Early Retirement or Normal Retirement, but not beyond the original term of the Option.

(c) Disability. Notwithstanding any contrary provisions of any agreement (including the Employment Agreement), in the event Participant's employment with the Company and any subsidiary of the Company terminates by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the Option shall vest as follows: the Option shall vest with respect to a total number of Shares as of the employment termination date (which is the last day that Participant is employed by the Company and any subsidiary of the Company), equal to (i) the number of Shares subject to the Option on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed as of the employment termination date since the Grant Date and (B) the denominator shall be forty-eight (48), minus (ii) the number of Shares with respect to which the Option vested prior to the employment termination date (whether or not the Option was previously exercised). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the employment termination date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Option may be exercised to the extent vested at any time within one (1) year of Participant's employment termination date but not beyond the original term of the Option.

7. **ACCEPTANCE OF AWARD.** The Option may not be exercised unless and until the Company has received formal acceptance by Participant of the terms and conditions set forth herein as required by the Company. Acceptance may be submitted either electronically, if available, or in writing.

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8. **NOTICE.** Any notice required to be given hereunder to the Company shall be addressed to the Company, attention Senior Vice President, Chief Human Resources Officer, One CVS Drive, Woonsocket, RI 02895, and any notice required to be given hereunder to Participant shall be addressed to Participant at his address as shown on the records of the Company, subject to the right of either party hereafter to designate in writing to the other some other address.

9. **RECOUPMENT OF OPTION AWARD.** The Option shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he may derive from the grant of the Option hereunder. By accepting this Option grant, Participant acknowledges that a copy of the Company's Recoupment Policy has been made available for the Participant's reference.

10. **COMMITTEE AUTHORITY.** The Committee shall have the authority, in its sole discretion, to make any interpretations, determinations, and/or take any administrative actions with respect to the ICP and this Agreement, including whether any post-termination payments to Participant shall be deemed severance pay, the duration of any severance period, and/or whether a termination was without cause.

11. **GOVERNING LAW.** This Nonqualified Stock Option Agreement and the Option evidenced hereby shall be governed by the laws of Delaware, without giving effect to principles of conflict of laws.

BY: _____
Lisa G. Bisaccia
Senior Vice President, Chief Human Resources Officer
CVS Caremark Corporation

Accepted By: _____
Larry J. Merlo

Date

2013 Merlo Stock Option Agreement

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CVS CAREMARK CORPORATION
BUSINESS PLANNING COMMITTEE
RESTRICTED STOCK UNIT AGREEMENT - ANNUAL GRANT
GRANT DATE: APRIL __, 20__

Participant:

Larry Merlo

Employee ID:

XXXXXXX

RSUs (#):

XXXXX

3. (a) To the extent dividends are paid on Shares while the RSUs remain outstanding and prior to the Settlement Date (as defined below), subject to Section 5(b), Participant shall be entitled to receive a cash payment in an amount equivalent to the cash dividends with respect to the number of Shares covered by the RSUs; provided, however, that no dividends shall be payable with respect to any RSUs forfeited on or prior to the dividend record date.
- (b) Participant hereby agrees that the Company may withhold from the dividend equivalent amounts referred to in Paragraph 3(a) above amounts sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.

4. Subject to the terms and conditions of the ICP and this Agreement and subject to Participant's continued employment, Participant shall be entitled to receive (and the Company shall deliver to Participant) the Shares within sixty (60) days following the Vesting Date(s) set forth herein (or in the Employment Agreement, as the case may be), unless delivery of the Shares has been deferred in accordance with Section 5 below (the date of such delivery of the Shares being hereafter referred to as the "Settlement Date"). Each "Vesting Date", except as otherwise provided in Section 7, shall be in accordance with the schedule set forth below:

- (a) 50% of the Shares underlying the RSU shall vest on the third anniversary of the Grant Date ("Tranche A");
- (b) 50% of the Shares underlying the RSU shall vest on the fifth anniversary of the Grant Date ("Tranche B");

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Provided, however, that a fraction of the Shares in Tranche A and Tranche B shall vest earlier on the effective date of the Participant's Approved Early Retirement or Normal Retirement (as such terms are defined in the Employment Agreement) so long as:

- (i) Participant provides at least 12 months' advance notice to the Committee of his intent to take Approved Early Retirement or Normal Retirement,
- (ii) Participant fully cooperates with the Company in transitioning his duties during the period between the disclosure to the Committee of his intent to take Approved Early Retirement or Normal Retirement and his retirement date,
- (iii) Participant continues to be employed by the Company through the Approved Early Retirement or Normal Retirement date, and if the foregoing conditions are satisfied, the number of
- (iv) the Committee approves such vesting terms (such approval not to be unreasonably withheld), and, in the case of an Approved Early Retirement, approves such retirement RSUs that vest on the Approved Early Retirement or Normal Retirement date shall be calculated as follows: (A) the number of Shares from Tranche A that vest shall be the total number of Shares in Tranche A multiplied by a fraction in which the numerator is the whole number of months worked from the Grant Date through the Approved Early Retirement or Normal Retirement date and the denominator is thirty-six (36); (B) the number of Shares from Tranche B that vest shall be the total number of Shares in Tranche B multiplied by a fraction in which the numerator is the whole number of months worked from the Grant Date through the Approved Early Retirement or Normal Retirement date and the denominator is sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. The Vesting Date shall be the effective date of the Participant's termination of employment as a result of Approved Early Retirement or Normal Retirement.
5. (a) In accordance with rules promulgated by the Management Planning and Development Committee of the Board of Directors (the "Committee"), Participant, to the extent eligible under the CVS Caremark Deferred Stock Compensation Plan, may elect to defer delivery of Shares in settlement of RSUs covered by this Agreement. Any such deferred delivery date elected by Participant shall become the Settlement Date for purposes of this Agreement.
- (b) Notwithstanding Section 3(a), to the extent dividends are paid on such deferred Shares following the Vesting Date and prior to the Settlement Date, Participant shall be entitled to receive a number of additional deferred Shares equal to: (x) the amount of dividend per Share as declared by the Company's Board of Directors on the Company's common stock multiplied by (y) the number of deferred Shares held by Participant on the record date of such dividend, divided by (z) the FMV of a Share on such dividend payment date. The Company may decrease the number of additional deferred Shares calculated as provided herein by the number of Shares sufficient to satisfy the applicable tax withholding in respect of such dividend equivalent payments.
6. Except as may be elected by Participant, on the Settlement Date the number of Shares to be delivered by the Company to Participant shall be reduced by the smallest number of Shares having a FMV at least equal to the dollar amount of Federal, state and local tax withholding required to be withheld by the Company with respect to such RSUs on such date. In lieu of having the number of Shares underlying the RSU reduced, Participant may elect to pay the Company for any amounts required to be withheld by the Company in connection with the vesting of the RSUs or delivery of the Shares pursuant to the Agreement. Such election may be made electronically at any time prior to the Settlement Date of the RSUs.
7. (a) Except as provided in Paragraphs 7(b) – (g) below, if, for any reason other than Approved Early Retirement or Normal Retirement, Participant's employment with the Company and any subsidiary of the Company terminates, all RSUs not then vested in accordance with Section 4 above shall be treated in accordance with the Employment Agreement. In the event of a conflict between the Employment Agreement and the provisions in Sections 7(b) – (g) of this Agreement, this Agreement shall control.

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- (b) In the event Participant's employment with the Company and any subsidiary of the Company, terminates for Cause (as defined in the Employment Agreement) or as a result of voluntary termination (as described in Section 10(d) of the Employment Agreement), all RSUs not then vested shall be immediately forfeited.
- (c) (i) In the event Participant's employment with the Company and any subsidiary of the Company terminates prior to the third anniversary of the Grant Date, by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the RSUs shall vest on a pro rata basis as follows: the total number of RSUs vested as of the termination date, which is the last date that the Participant is employed by the Company or any subsidiary of the Company, shall be equal to the number of RSUs granted on the Grant Date multiplied by the following fraction: (A) the numerator shall be the whole number of months elapsed Participant's termination date and (B) the denominator shall be thirty-six (36). For purposes of this calculation, the number of months in the numerator in sub-section (A) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the termination date is eight months and five days, the numerator in sub-section (A) above shall be nine. The Vesting Date shall be the effective date of the Participant's termination of employment.
- (ii) In the event the Participant's employment with the Company and any subsidiary of the Company terminates on or after the third anniversary, but prior to the fifth anniversary, of the Grant Date, by reason of total and permanent disability (as defined in the Company's Long-Term Disability Plan, or, if not defined in such Plan, as defined by the Social Security Administration), the remaining unvested RSUs shall vest on a pro rata basis according to the following formula: 50% of the RSUs granted on the Grant Date multiplied by the following fraction: (C) the numerator shall be the whole number of months elapsed as of the termination date since the Grant Date as of Participant's termination date and (D) the denominator shall be sixty (60). For purposes of this calculation, the number of months in the numerator in sub-section (C) above shall include any partial month in which Participant has worked. For example, if the time elapsed between the Grant Date and the termination date is fifty-four months and five days, the numerator in sub-section (C) above shall be fifty-five. The Vesting Date shall be the effective date of the Participant's termination of employment.
- (d) Notwithstanding the above, (i) the provisions of Section 10 of the ICP shall apply in the event of a Change in Control (as defined in such Section 10) and (ii) the provisions of Section 7(e)(iv) of the ICP shall apply.
- (e) For purposes of this Section 7, transfer of Participant's employment from the Company to a subsidiary of the Company, transfer among or between subsidiaries, or transfer from a subsidiary to the Company shall not be treated as termination of employment.
8. An RSU does not represent an equity interest in the Company and carries no voting rights. Participant shall have no rights of a shareholder with respect to the RSUs until the Shares have been delivered to Participant.
9. Neither the execution and delivery hereof nor the granting of the award evidenced hereby shall constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company or its subsidiaries to employ Participant for any specific period.
- Any notice required to be given hereunder to the Company shall be addressed to: CVS Caremark Corporation, Senior Vice President, Chief Human Resources Officer, One CVS Drive, Woonsocket, RI 02895. Any notice required to be given hereunder to Participant shall be addressed to such Participant at the address shown on the records of the Company, subject to the right of either party hereafter to designate, in writing, to the other, some other address.

11. All decisions and interpretations made by the Board of Directors or the Committee with regard to any question arising hereunder or under the ICP shall be binding and conclusive on all persons. In the event of any inconsistency between the terms hereof and the provisions of the ICP, the ICP shall govern.

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12. By accepting this Award, Participant acknowledges that a copy of the ICP has been made available by the Company for Participant's reference and agrees to be bound by the terms and conditions set forth in this Agreement and the ICP as in effect from time to time.

13. By accepting this Award, Participant further acknowledges that the Federal securities laws and/or Company's policies regarding trading in its securities may limit or restrict Participant's right to trade Shares, including without limitation, sales of Shares acquired in connection with RSUs. Participant agrees to comply with such Federal securities law requirements and Company policies as such laws and policies may be amended from time to time.

14. The Company intends that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Internal Revenue Code of 1986 (the "Code"), as amended, and that to the extent any provisions of this Agreement do not comply with Code Section 409A the Company will make such changes in order to comply with Code Section 409A to the extent it considers reasonable. In all events, the provisions of CVS Caremark Corporation's 409A Universal Definitions Document are hereby incorporated by reference and to the extent required to avoid a violation of the applicable rules under all Section 409A by reason of Section 409A(a)(2)(B)(i) of the Code, payment of any amounts subject to Section 409A of the Code shall be delayed until the first business day of the seventh month immediately following the employment termination date. For purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment, references to a "termination of employment" (and corollary terms) shall be construed to refer to a "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)). Notwithstanding the foregoing, the Company makes no representations as to the tax treatment or consequences of any payment made hereunder, and Participant, by accepting this Award, acknowledges that Participant shall be solely responsible for same.
15. The Award subject to this RSU Agreement under the ICP shall be subject to the terms of the Company's Recoupment Policy as it exists from time to time, which may require the Participant to immediately repay to the Company the value of any pre-tax economic benefit that he may derive from the Award. By accepting this Award Participant acknowledges that the Company's Recoupment Policy has been made available for the Participant's reference.
16. This Agreement shall be governed by the laws of Delaware, without giving effect to its choice of law provisions.
17. This Agreement shall be fully effective only upon the Participant's formal acceptance of the terms and conditions set forth above as required by the Company.

By:

 Lisa G. Bisaccia
 Senior Vice President, Chief Human Resources Officer
 CVS Caremark Corporation

Accepted By:

 Larry J. Merlo

 Date

2013 Merlo RSU Agreement

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SEPARATION AGREEMENT

This Separation Agreement ("Agreement") between Mark Cosby ("Executive") and CVS Pharmacy, Inc. ("CVS Caremark" or the "Company") shall be effective as of the end of the Revocation Period defined herein (the "Effective Date").

WHEREAS, Executive and CVS Caremark desire to enter into an agreement setting forth the terms of Executive's separation from the Company;

WHEREAS, Executive has thoroughly reviewed this Agreement, has entered into it voluntarily, and has consulted with legal counsel of Executive's choice before signing this Agreement.

NOW THEREFORE, in consideration of the covenants below, including but not limited to the General Release of Claims, and for other good and valuable consideration as set forth in this Agreement, Executive and the Company agree as follows:

- SEPARATION OF EMPLOYMENT.** Executive's last date of employment with the Company shall be December 31, 2013 (the "Separation Date"). Executive agrees that, as of the Separation Date or earlier if requested by the Company, he shall cease serving in all positions at the Company and any of its affiliates, including on any of their boards or committees, and, if requested by the Company, Executive will execute such documents to evidence such cessation of service.
- SEVERANCE PAY.** CVS Caremark shall pay Executive severance pay in the form of salary continuation payments at the rate in effect as of the Separation Date during the "Severance Period," which is the 18 month period beginning immediately after the Separation Date. The final day of the Severance Period is the "Severance End Date." Subject to Section 19, severance pay will be paid in accordance with the Company's regular payroll practices.
- BENEFITS.** Effective immediately after the Separation Date, Executive may elect to continue Executive's Medical (including prescription), Dental, and/or Vision coverage in effect as of the Separation Date pursuant to COBRA. If Executive properly and timely elects to continue health care coverage under COBRA, CVS Caremark shall subsidize such coverage, at the level in effect as of the day immediately preceding the Separation Date, by paying the health insurance provider an amount equal to the current Company contribution for active employees for coverage until the earlier of the Severance End Date or the date on which Executive first becomes eligible for health care coverage from another employer, whichever is earlier. After the Severance End Date or the date on which Executive first becomes eligible for health care coverage from another employer, whichever is earlier, Executive shall be solely responsible for any health insurance Executive elects to obtain, and, if eligible, Executive may continue coverage under Employer's plans at the full premium rate plus a 2% administrative fee to the extent permitted under COBRA. Executive understands and agrees that CVS Caremark may modify its premium structure, the terms of its Plans, and the coverage of the Plans at any time subject only to applicable law.
- MANAGEMENT INCENTIVE AWARD.** Executive shall be eligible for an Incentive Award for performance year 2013 pursuant to the terms of the Management Incentive Plan ("MIP"). The amount of the award, if any, shall be determined in accordance with the terms of the MIP, and Executive acknowledges that an award is not guaranteed under the MIP.

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Execution Copy

- STOCK OPTIONS AND RESTRICTED STOCK UNITS.** The terms and conditions of Executive's previously-granted stock options and restricted stock units shall be governed by the CVS Caremark Corporation Incentive Compensation Plan, as amended, and the applicable award agreements, in each case applying those terms and conditions applicable upon a termination without cause and/or pursuant to which an individual is receiving severance.
- LONG TERM INCENTIVE PLAN.** Executive's awards under the Long Term Incentive Plan (LTIP) for the performance cycles of 2011-2013, 2012-2014, and 2013-2015 shall be governed by the applicable plan documents. Executive acknowledges that the awards related to performance years 2012-2014 and 2013-2015 are subject to pro-rata based on Executive's length of employment during the plan cycle. Executive is not eligible to participate in any other LTIP cycles. For the avoidance of doubt, Executive's separation for the purpose of the LTIP shall be treated as a termination without cause.
- OUTPLACEMENT SERVICES.** CVS Caremark will provide Executive with executive outplacement services in the greater Boston area through an outplacement vendor selected and paid by CVS Caremark. Such services shall be available for a six month period so long as use of the services is initiated during the Severance Period.

8. **NO OTHER PAY OR BENEFITS; SUFFICIENCY OF CONSIDERATION.** Promptly following the Separation Date, CVS Caremark will pay Executive any remaining accrued but unused myTime in accordance with CVS Caremark policy. Except as specifically set forth in this Agreement, Executive shall be entitled to no other wages, salary, vacation pay, myTime, PTO, bonuses, incentive awards, commissions, benefits, or any other compensation of any kind, except as required by law. Executive acknowledges that the promises described in this Agreement are in excess of any earned wages and any other amounts due and owing to Executive, are in full satisfaction of any obligations to Executive under the Offer Letter between Executive and CVS Caremark Corporation dated August 5, 2011 (the "Offer Letter"), and are good and valuable consideration for the general release of claims and the other covenants in this Agreement.

9. EXECUTIVE COVENANTS.

a) Executive acknowledges and agrees that the 2012 Enterprise Non-Competition, Non-Disclosure and Developments Agreement executed by Executive on May 18, 2012 (the "Restrictive Covenant") is a valid agreement enforced by adequate consideration. Executive further agrees that the consideration provided by the Company in this Agreement is contingent on Executive's compliance with his obligations under the Restrictive Covenant, and Executive affirms his obligations set forth in the Restrictive Covenant and his intent to be bound by those obligations.

b) Executive certifies that, during the term of employment with the Company, Executive has complied with all applicable laws and regulations and that, as of the date Executive signs below, Executive has notified the Company of any actual or potential violations of applicable laws or regulations about which Executive has information.

c) Executive will not make any statements that disparage the business reputation of the Company, and/or any officer, director or employee of the Company. Executive retains the right to participate in any such action, and retains the right to communicate with the EEOC and any other federal, state or local agency enforcing discrimination laws and such foregoing communication shall not be limited by any provision in this Agreement. Executive shall not, however, be entitled to receive any relief, recovery or monies in connection with any Released Claim brought against any of the Released Parties, regardless of who filed or initiated any such complaint, charge or proceeding.

Executive from making this Agreement, Executive has not filed or initiated, or caused to be filed or initiated, any complaint, claim, action or lawsuit of any kind against any of the Released Parties in any federal, state, or local court or agency, and Executive agrees not to initiate or file, or cause to be initiated or filed, any action, disclosures that lawsuit, complaint or proceeding in any federal, state, or local court or in any administrative tribunal are required by with authority to adjudicate disputes asserting any of the Released Claims against any of the Released Parties. Executive agrees to promptly reimburse the Company for any legal fees that the Company incurs as a result of any breach of this section by Executive.

Subject to the limitations set forth above, Executive represents that as of the date Executive signs this Agreement, Executive has not filed or initiated, or caused to be filed or initiated, any complaint, claim, action or lawsuit of any kind against any of the Released Parties in any federal, state, or local court or agency, and Executive agrees not to initiate or file, or cause to be initiated or filed, any action, disclosures that lawsuit, complaint or proceeding in any federal, state, or local court or in any administrative tribunal are required by with authority to adjudicate disputes asserting any of the Released Claims against any of the Released Parties. Executive agrees to promptly reimburse the Company for any legal fees that the Company incurs as a result of any breach of this section by Executive.

IN WITNESS WHEREOF, the parties knowingly and voluntarily executed this Separation Agreement as of the dates set forth below.

MARK COSBY
CVS PHARMACY, INC.
BY: /s/ Lisa G. Bisaccia
Lisa G. Bisaccia
Senior Vice President, Chief Human Resources Officer
DATE: 12/8/2013
DATE: 12/10/2013

10. **COMPANY COVENANT.** The Company agrees that it will instruct Larry Merlo and the immediate successor to the President of CVS/pharmacy position (the "Named Executives") not to make, and not to direct any other employee of the Company to make, any disparaging statements regarding the Executive. Notwithstanding the foregoing, nothing in this Agreement shall prohibit (i) any officer, director or employee of the Company from making truthful statements or disclosures that are required by applicable law, regulation or legal process, or (ii) any of the Named Executives from requesting or receiving confidential legal advice or from making confidential statements to one another, to members of the Company's Business Planning Committee, or to the Company's directors concerning the Executive.
11. **GENERAL RELEASE OF CLAIMS.** Executive hereby releases and forever discharges CVS Caremark Corporation and each of its divisions, affiliates, subsidiaries and operating companies, and the respective officers, directors, employees, agents and affiliates of each of them (collectively, the "Released Parties") from any and all causes of action, lawsuits, proceedings, complaints, charges, debts, contracts, judgments, damages, claims, and attorneys fees against the Released Parties, whether known or unknown, which Executive ever had, now has or which Executive or Executive's heirs, executors, administrators, successors or assigns may have prior to the date this Agreement is signed by Executive, due to any matter whatsoever relating to Executive's employment, compensation, benefits, and/or termination of Executive's employment with CVS Caremark (collectively, the "Released Claims"). The Released Claims include, but are not limited to, any claim that any of the Released Parties violated the National Labor Relations Act, Title VII of the Civil Rights Act of 1964, Sections 1981 through 1988 of Title 42 of the United States Code, the Executive Retirement Income Security Act, the Immigration Reform and Control Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, and/or the Occupational Safety and Health Act; any claim that any of the Released Parties violated any other federal, state or local statute, law, regulation or ordinance; any claim of unlawful discrimination of any kind; any public policy, contract, tort, or common law claim; and any claim for costs, fees, or other expenses including attorney's fees incurred in these matters. Notwithstanding the foregoing, this release does not include any rights that Executive cannot lawfully waive, and will not release any rights Executive has to (a) defense and indemnification from CVS Caremark or its insurers for actions taken by Executive in the course and scope of Executive's employment with CVS Caremark to the extent permitted by applicable law and the governing documents of CVS Caremark Corporation; (b) claims, actions, or rights arising under or to enforce the terms of this Agreement; and/or (c) vested benefits under any retirement or pension plan and/or deferred compensation plan.
12. **NO PENDING ACTIONS; COVENANT NOT TO SUE.** Nothing in this Agreement is intended to or shall interfere with Executive's right to challenge the Company's compliance with the waiver requirements of the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act. Moreover, nothing in this

Agreement is intended to or shall interfere with Executive's right to file a charge or participate or cooperate in an investigation or proceeding with the EEOC or any other federal, state or local agency enforcing employment discrimination laws.

| 13. TIME TO CONSIDER AGREEMENT. | 14. BREACH OF EMPLOYEE COVENANTS AND INJUNCTIVE RELIEF. | 15. GOVERNING LAW; VENUE; HEADINGS. | 16. JURY TRIAL WAIVER. | 17. COUNTERPARTS. | 18. SEVERABILITY. | 19. SECTION 409A AND RESPONSIBILITY FOR TAXES. | 20. DEBTS TO THE COMPANY. |
|---|---|---|---|---|---|---|---|
| Executive shall have twenty-one (21) days from the date of receipt (the "Consideration Period") to consider whether to enter into this Agreement. Any modifications to this Agreement, whether material or immaterial, will not restart the Consideration Period. Executive may revoke his acceptance of this Agreement within seven (7) calendar days of the date on which Executive signed this Agreement (the "Revocation Period.") by sending written notice by certified mail or hand stating: "I revoke my acceptance of the Separation Agreement," or words to that effect, to Ms. Bisaccia at One CVS Drive, Woonsocket, RI 02895, before the end of the Revocation Period. If the revocation notice is mailed, it must be sent by certified mail. Executive acknowledges and agrees that this Agreement shall take effect on the day following the expiration of the Revocation Period (the "Effective Date.") | Without limiting the remedies available to CVS Caremark, Executive acknowledges that a breach by Executive of any of the covenants set forth above in the section entitled Executive Covenants will result in irreparable injury to some or all of CVS Caremark for which there is no adequate remedy at law, that monetary relief will be inadequate, and that, in the event of such a material breach or threat thereof, CVS Caremark shall be entitled to obtain, in addition to any other relief that may be available, a temporary restraining order and/or a preliminary or permanent injunction, restraining Executive from engaging in activities prohibited by the Restrictive Covenant and this Agreement, as well as such other relief as may be required specifically to enforce the Restrictive Covenant and this Agreement, without the payment of any bond. In the event that a court issues a temporary restraining | This Agreement shall be governed by and conformed to in accordance with the laws of the state of Rhode Island without regard to its conflict of laws provisions. The exclusive venue for any legal action arising from this Agreement will be the federal and state courts within Rhode Island. Executive consents to the Rhode Island courts' personal | Executive and CVS Caremark irrevocably and unconditionally waive the right to a trial by jury in any action or proceeding seeking to enforce, or alleging the breach of, any provision of this Agreement. | This Agreement may be executed in counterparts and each counterpart will be deemed an original. | If any of the provisions of this Agreement, including but not limited to the Restrictive Covenant and Section 9 of this Agreement, are deemed unenforceable by a court of competent jurisdiction because they are overly broad, then the court shall have the ability to modify the offending provision in order to make it enforceable. Should any term or provision of this Agreement be declared illegal, invalid or unenforceable by any court of competent jurisdiction and if such provision cannot be modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either of the parties. | Each payment made under this Agreement, including each installment payment of a salary continuation stream hereunder, shall be deemed and treated as a separate payment for purposes of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"). Because Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i), any portion of the payments under this Agreement payable to Executive that is subject to Section 409A and applicable guidance thereunder shall be delayed until the date that is the earlier of (i) Executive's death or (ii) six months following Executive's Separation Date, at which time the payments that were delayed for such six month period shall be paid in a lump sum on the date of the next occurring regular payroll date of the Company, and any remaining payments shall be paid according to the original schedule provided herein. In no event shall any separation payment hereunder be made unless and until Executive has experienced a separation from service, as defined under Treasury Regulation Section 1.409A-1(h). All payments set forth in this Agreement are subject to applicable withholdings and deductions. Executive acknowledges and agrees that Executive is solely responsible for all taxes on the payments and benefits described in | Executive acknowledges that, in the event Executive is indebted to the Company or an affiliate thereof, the severance payments provided for in the Agreement may be reduced, offset, withheld or forfeited up to the amount of the debt. <u>ENTIRE AGREEMENT.</u> This Agreement, the Restrictive Covenant, and any compensation, equity or benefit plan or agreement referred to herein set forth the entire agreement between the parties hereto and fully supersede any and all prior and/or supplemental understandings, whether written or oral, between the parties concerning the subject matter of this Agreement, including without limitation the Offer Letter. Executive has not relied on any representations, promises or agreements of any kind made to Executive in connection with Executive's decision to accept the terms of this Agreement, except for the representations, promises and agreements herein. Any modification to this Agreement must be in |

order, preliminary injunction, permanent injunction, or issues any other similar order enjoining Executive from breaching the Restrictive Covenant and/or this Agreement, or awards CVS Caremark any damages due to Executive's breach of the Restrictive Covenant and/or this Agreement, Executive agrees promptly to reimburse the Company for all reasonable attorneys fees incurred by CVS Caremark in connection with obtaining such equitable relief or damages.



this Agreement. While the parties intend for payments and benefits provided under the terms of this Agreement to be exempt from or compliant with Section 409A, as applicable, CVS Caremark makes no representations or guarantees with respect to the tax status of any of the payments or benefits set forth herein, including taxation pursuant to Section 409A, and Executive acknowledges that Executive is solely responsible and will hold the Company and its affiliates harmless for same.

writing and signed by Executive and CVS Caremark Corporation's Chief Human Resources Officer or her authorized representative.

CVS CAREMARK CORPORATION

Change in Control Agreement for

Troyen Brennan

CONFIDENTIAL REVISED November 2008

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7. Governing Law/Jurisdiction. 118, Notices. 129, Headings. 12, Counterparts. 13² This Change in Control Agreement ("Agreement") is made and entered into as of December 1, 2008 between CVS Pharmacy, Inc. ("CVS") and Troyen Brennan (the "Executive").

WHEREAS, the Board of Directors (the "Board") of CVS Caremark Corporation ("CVS Caremark" or the "Company") believes it is necessary and desirable for the Company to be able to rely upon Executive to continue serving in his or her position with the Company in the event of a pending or actual change in control of CVS Caremark;

WHEREAS, Executive is employed by a Subsidiary of CVS Caremark, and this Agreement shall not alter Executive's status as an employee at will;

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, CVS and Executive (individually a "Party" and together the "Parties") agree as follows:

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1. Definitions. For purposes of this Agreement, an act or failure to act on Executive's part shall be considered "willful" if it was done or omitted to be done by Executive not in good faith, and shall not include any act or failure to act resulting from any incapacity of Executive. A termination for Cause shall not take effect absent compliance with the
- a. "Base Salary" shall mean Executive's annual rate of base salary at the time of Executive's termination of employment or, if greater, as in effect immediately prior to a Change in Control.
- b. "Cause" shall exist if:
- i. Executive willfully and materially breaches Sections 4 or 5 of this Agreement; provisions of this paragraph. Executive shall be given written notice by the Company of its intention
 - ii. Executive is convicted of a felony involving moral turpitude; or to terminate Executive's employment for Cause, such notice (A) to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause
 - iii. Executive engages in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out Executive's duties under this Agreement, resulting, in either case, in material harm to the financial condition or reputation of the Company.
- is based and (B) to be given within 90 days of the Company's learning of such act or acts or failure or failures to act. Executive shall have 20 days after the date that such written notice has been given to Executive in which to cure such conduct, to extent such cure is possible. If Executive fails to cure such conduct, Executive shall then be entitled to a hearing before the Committee, or an officer or officers designated by the Committee, at which Executive is entitled to appear. Such hearing shall be held within 25 days of such notice to Executive, provided Executive requests such hearing within 10 days of the written notice from the Company of the intention to terminate Executive for Cause. If, within five days following such hearing, Executive is furnished written notice by the Committee confirming that, in its judgment, grounds for Cause on the basis of the original notice exist, Executive shall thereupon be terminated for Cause. Executive's right to cure in accordance with this provision applies only in the event of a Change in Control as defined in Section 1(c) below and does not alter Executive's "at will" employment status.
- c. A "Change in Control" shall be deemed to have occurred if:
- (i) any Person (other than (w) the Company, (x) any trustee or other fiduciary holding securities under any employee benefit plan of the Company, (y) any company owned, directly or indirectly, by the stockholders of the Company immediately after the occurrence with respect to which the evaluation is being made in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such occurrence or (z) any surviving or resulting entity from a merger or consolidation referred to in clause (iii) below that does not constitute a Change in Control under clause (ii) below) becomes the Beneficial Owner (except that a Person shall be deemed to be the Beneficial Owner of all shares that any such Person has the right

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- to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants or options or otherwise, without regard to the sixty day period referred to in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company or of any subsidiary owning directly or indirectly all or substantially all of the consolidated assets of the Company (a "Significant Subsidiary"), representing 30% or more of the combined voting power of the Company's or such Significant Subsidiary's then outstanding securities;
- (ii) during any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board, and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the twelve (12) month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;
 - (iii) the consummation of a merger or consolidation of the Company or any Significant Subsidiary with any other entity, other than a merger or consolidation which would result in the voting securities of the Company or a Significant Subsidiary outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or
 - (iv) the consummation of a transaction (or series of transactions within a 12 month period) which constitutes the sale or disposition of all or substantially all of the consolidated assets of the Company but in no event assets having a gross fair market value of less than 40% of the total gross fair market value of all of the consolidated assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company immediately prior to such sale or disposition)

For purposes of this definition:

- (A) The term "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act (including any successor to such Rule).
- (B) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.
- (C) The term "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including "group" as defined in Section 13(d) thereof.

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d.

"Committee" shall mean the Management Planning and Development Committee of the Board, or the corresponding committee of the board of directors of a successor to CVS Caremark.

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|---|---|--|--|---|--|--|
| e."Company" shall mean, collectively, CVS Caremark and any Subsidiary or affiliate of CVS Caremark. | f."Confidential Information" shall have the meaning set forth in Section 4 below. | g."Constructive Termination Without Cause" shall mean a termination of the Executive's employment at Executive's initiative following the occurrence, without the Executive's written consent, of one or more of the following events (except as a result of a prior termination): | i.an assignment of any duties to Executive that is inconsistent with Executive's status as a member of the senior management of CVS Caremark; | ii.a decrease in Executive's annual base salary or target annual Incentive award opportunity; | iii.any failure to secure the agreement of any successor to CVS Caremark to fully assume the Company's obligations under this Agreement; or | iv.a relocation of Executive's principal place of employment more than 35 miles from Executive's place of employment before such relocation. |
| i."Effective Date" shall have the meaning set forth in Section 2 below. | j."Original Term" shall have the meaning set forth in Section 2 below. | k."Renewal Term" shall have the meaning set forth in Section 2 below. | l."Severance Period" shall mean the period of 18 months following the termination of Executive's employment to be performed by Executive after such date would be permanently reduced to 20% or less of the average with the services rendered by Executive during the immediately preceding 36-month period (or the total period of Company employment, if less than 36 months), disregarding periods during which Executive was on a bona fide leave of absence; | n."Term" shall have the meaning set forth in Section 2 below. | o."termination arrangement that is subject to the rules of Section 409A of the Internal Revenue Code of employment", (the "Code") a "Separation from Service" as "employment such term is defined in the Income Tax is terminated" Regulations under Section 409A (the "409A and other Regulations") of the Code as modified by the similar words rules described below: | h."Disability" (i) for shall mean any plan disability or as that term is defined in the Company's Long-Term Disability Plan. |

- (A) except in the case where Executive is on a bona fide leave of absence pursuant to the Company's policies as provided below, Executive is deemed to have incurred a Separation from Service on a date if the company and Executive reasonably anticipate that the level of services
- (B) if Executive is absent from work due to military leave, sick leave, or other bona fide leave of absence pursuant to the Company's policies, Executive shall incur a Separation from Service on the first date that the rules of (A), above, are satisfied following the later of (i) the six-month anniversary of the commencement of the leave or (ii) the expiration of Executive's right, if any, to reemployment under statute, contract or Company policy;
- (C) Executive shall be considered to continue employment and to not have a Separation from Service while on a bona fide leave of absence pursuant to the Company's policies if the leave does not exceed 6 consecutive months (12 months for a disability leave of absence) or, if longer, so long as the Executive retains a right to reemployment with the Company or an Affiliate under an applicable statute, contract or Company policy. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment of Executive that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job;
- (D) for purposes of determining whether another organization is an Affiliate of the Company, common ownership of at least 50% shall be determinative. The term of
- (E) the Company specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to Executive providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Section 409A of the Code; or
- (ii) for any plan or arrangement that is not subject to the rules of Section 409A of the Code, the complete cessation of providing service to the Company or any Affiliate as an employee.

2. Term of Agreement. This Agreement shall commence on the date of this Agreement (the "Effective Date") and end on the third anniversary of such date (the "Original Term"). The Original Term shall be automatically renewed for successive one-year terms (the "Renewal Terms") unless at least 180 days prior to the expiration of the Original Term or any Renewal Term, either Party notifies the other Party in writing that he/she or it is electing to terminate this Agreement at the expiration of the then current Term. "Term" shall mean the Original Term and all Renewal Terms. If a Change in Control shall have occurred during the Term, notwithstanding any other provision of this Section 2, the Term shall not expire earlier than two years after such Change in Control.

3. Entitlement to Severance Benefit.

- a. Severance Benefit. In the event Executive's employment with the Company is Terminated Without Cause, other than due to death, or Disability, or in the event there is a Constructive Termination Without Cause within two years following a Change in Control, Executive shall be entitled to receive:
- Base Salary through the date of termination of Executive's employment, which shall be paid in a cash lump sum not later than 15 days following Executive's termination of employment;
 - An amount equal to 1.5 times Executive's Base Salary in effect on the date of termination of Executive's employment (or in the event a reduction in Base Salary is a basis for a Constructive Termination Without Cause, then the Base Salary in effect immediately prior to such reduction), payable in a cash lump sum following Executive's termination of employment;
 - An amount equal to the most recently established target annual cash incentive bonus amount, pro rated based on the portion of the performance year that Executive has worked as of the date of Executive's termination, and payable in a cash lump sum following Executive's termination of employment;
 - An amount equal to 1.5 times the most recently established target annual incentive cash bonus amount, payable in a cash lump sum following the Executive's termination of employment;
 -

Elimination of all restrictions on any restricted stock or restricted stock unit awards outstanding at the time of termination of employment (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards);

| | | | | |
|--|--|--|---|--|
| vi. Immediate vesting of all outstanding stock options and the right to exercise such stock options for the remainder of the full term of such option (other than awards under the Company's Partnership Equity Program, which shall be governed by the terms of such awards); | vii. The balance of any incentive awards earned as of December 31 of the prior year (but not yet paid), which shall be paid in a single lump sum not later than 15 days following Executive's termination of employment; | viii. Settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form; | ix. Continued participation in all medical, health and life insurance plans at the same benefit level at which Executive was participating on the date of termination of Executive's employment until the earlier of: | 1. the end of the Severance Period; or if Executive is precluded from continuing Executive's participation in any employee benefit plan or program as provided in this clause (ix) of this Section 3.a, plans and Executive shall receive cash payments equal to the cost basis to Executive of obtaining the benefits provided under the plan or determined program in which Executive is unable to participate for the period or benefit specified in this by-benefit, clause (ix) of this basis); |
|--|--|--|---|--|

be deemed to be the lowest reasonable cost that would be incurred by Executive in obtaining such benefit on an individual basis, and (3) payment of such amounts shall be made quarterly in advance; and

- x. other or additional benefits then due or earned in accordance with applicable plans and programs of the Company.
- b. Change in Control Best Payments Determination. In the event the Severance Benefits described in Section 3(a) are payable to Executive in connection with a Change in Control and, if paid, could subject Executive to an excise tax under Section 4999 of the Internal Revenue Code (the "Excise Tax"), then notwithstanding the provisions of Section 3(a) the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 3(a) by the amount necessary to result in the Executive not being subject to the Excise Tax if such reduction would result in the Executive's "Net After-Tax Amount" attributable to the Severance Benefits described in Section 3(a) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After-Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all Federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be effected shall be made by a nationally recognized public accounting firm selected by the Company (the "Accounting Firm") prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company. In the event it is determined that a Benefit Reduction is required, such reduction of items described in Section 3(a) above shall be done first by reducing cash severance determined in accordance with Section 3(a)(ii), 3(a)(iii) and 3(a)(iv); to the extent a further Benefit Reduction is necessary, then Severance Benefits will be reduced from the amounts determined in accordance with Section 3(a)(v) and 3(a)(vi), all as determined by the Accounting Firm.
- c. No Mitigation; No Offset. In the event of any termination of employment under this Section 3, Executive shall be under no obligation to seek other employment, and the amounts due Executive under this Agreement shall not be offset by any remuneration attributable to any subsequent employment that Executive may obtain.
- d. Nature of Payments. Any amounts due under this Section 3 are in the nature of severance payments considered to be reasonable by the Company and are not in the nature of a penalty.
- e. Exclusivity of Severance Benefit. Upon termination of Executive's employment during the term, Executive shall not be entitled to any severance payments or severance benefits from the Company, or any other payments by the Company pursuant to any other agreement or arrangement between Executive and the Company, other than the Severance Benefit provided in this Section 3, except as required by law.
- f. General Release of Claims. Executive agrees, as a condition of payment of the Severance Benefit provided for in this Section 3, that Executive will execute within 60 days of Executive's termination of employment a separation agreement, in a form reasonably satisfactory to the Company, that includes a general release of any and all

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claims arising out of Executive's employment or termination of employment with the Company, other than claims for (i) enforcement of this Agreement, (ii) enforcement of Executive's rights under any of the Company's incentive compensation, equity and/or employee benefit plans and programs to which Executive is entitled under this Agreement, and (iii) any tort for personal injury not arising out of or related to Executive's employment or termination of employment.

- g. Subject to the provisions of Section 13(b), all payments to be made pursuant to this Section 3 upon the termination of employment of Executive shall be made or commence, as the case may be, within 75 days after the Executive's termination of employment provided, however, that if such termination of employment is after October 17 of a year, the payment or first payment, as the case may be, shall be made at the end of such 75 day period.

4. Confidentiality; Cooperation with Regard to Litigation; Non-disparagement.

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- a. During the Term and thereafter, Executive shall not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any confidential information except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) that requires Executive to divulge, disclose or make accessible such information. In the event that Executive is so ordered, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.
- b. During the Term and thereafter, Executive shall not disclose the existence or contents of this Agreement beyond what is disclosed in the proxy statement or documents filed with the government unless and to the extent such disclosure is required by law, by a governmental agency, or in a document required by law to be filed with a governmental agency or in connection with enforcement of his/her rights under this Agreement. In the event that disclosure is so required, Executive shall give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such requirement. This restriction shall not apply to such disclosure by Executive to members of his/her immediate family, his/her tax, legal or financial advisors, any lender, or tax authorities, or to potential future employers to the extent necessary, each of whom shall be advised not to disclose such information.
- c. "Confidential Information" shall mean all information concerning the business of the Company or any Subsidiary relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (i) that is or becomes part of the public domain, other than through the breach of this Agreement by Executive or (ii) regarding the Company's business or industry properly acquired by Executive in the

course of Executive's career as an Executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Subsidiary shall be deemed to be known or available to the public.

- d. "Subsidiary" shall mean any corporation or other business entity owned or controlled directly or indirectly by CVS Caremark.
- e. Executive agrees to cooperate with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by being reasonably available to testify on behalf of the Company or any Subsidiary in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any Subsidiary, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, or any Subsidiary as requested; provided, however that the same does not materially interfere with Executive's then current professional activities. The Company agrees to reimburse Executive on an after tax basis, for all reasonable expenses actually incurred in connection with Executive's provision of testimony or assistance.
- f. Executive agrees that, during the Term and thereafter (including following Executive's termination of employment for any reason) Executive will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or however, the foregoing shall not prevent Executive from contesting the issuance of any such injunction on the ground that no violation or threatened violation of Sections 4 or 5 has occurred.
5. Non-solicitation. During the period beginning with the Effective Date and ending 18 months following the termination of Executive's employment with the Company, Executive, whether acting on Executive's own behalf or by, through or on behalf of any third party, shall not (a) hire any employees of the Company or any Subsidiary, or recruit or solicit any such employees or encourage them to terminate their employment with the Company or any Subsidiary; (b) accept business from any customers of the Company or any Subsidiary, or solicit or encourage any customers, joint venture partners or investors of the Company or any Subsidiary to terminate or diminish their relationship with the Company or any Subsidiary or to violate any agreement with the Company or any Subsidiary means any person who was employed by the Company or any Subsidiary within 180 days of such hiring, recruitment, solicitation or encouragement. Executive agrees to make any employer with whom Executive becomes employed during the 18-month period following Executive's termination with the Company aware of this non-solicitation obligation upon commencing employment with such subsequent entity.
6. Remedies. In addition to whatever other rights and remedies the Company may have at equity or in law, the Company (a) shall have the right to immediately terminate all payments and benefits due under this Agreement if Executive breaches any of the provisions contained in Sections 4 or 5 above, and (b) shall have the right to seek injunctive relief in any court of competent jurisdiction if Executive breaches or threatens to breach any of the provisions contained in Sections 4 or 5 above. Executive acknowledges that such a breach would cause irreparable injury and that money damages would not provide an adequate remedy for the Company; provided, the foregoing shall not prevent Executive from contesting the issuance of any such injunction on the ground that no violation or threatened violation of Sections 4 or 5 has occurred.
7. Effect of Agreement on Other Benefits and Obligations. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict the Executive's participation in any other employee benefit or other plans or programs in which he/she currently participates.
8. Not an Employment Agreement. This Agreement is not, and nothing herein shall be deemed to create, a contract of employment between Executive and the Company. The Company may terminate the employment of Executive at any time and for any reason, subject to the terms of any employment agreement between the Company and Executive that may then be in effect.
9. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Sections 4 or 5, shall be resolved by binding arbitration, to be held at an office closest to the Company's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the company shall continue payment of all amounts and benefits due Executive under this Agreement. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that no reimbursement shall be made of such expenses if and to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith or frivolous.
10. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred in connection with the sale or transfer of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale or transfer of assets as described in the preceding sentence, it shall take whatever action it legally can in order to cause such assignee or transferee to expressly assume the liabilities, obligations and duties of the Company hereunder. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his/her rights to compensation and benefits, which may be transferred only by will or operation of law, except as provided in Section 16 below.
11. Representation. The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization.
12. Entire Agreement. This Agreement contains the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Parties with respect thereto.
13. Amendment; Waiver; Code Section 409A. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall survive and remain in full force and effect.
- (a) No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.
- (b) Executive and Company agree that it is the intent of the parties that this Agreement not violate any applicable provision of, or result in any additional tax or penalty under, Section 409A of the Code, as amended, and that to the extent any provisions of this Agreement do not comply with such Code Section 409A the parties will make such changes as are mutually agreed upon in order to comply with Code Section 409A. In all events, to the extent required to avoid a violation of any of the applicable rules under Code Section 409A by reason of Code Section 409A(a)(2)(B)(i), payment of any amounts subject to Code Section 409A shall be delayed until the relevant date of payment that will result in compliance with the rules of Code Section 409A(a)(2)(B)(i).
14. Severability. Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.
15. Survivorship. The respective rights and obligations of the Parties hereunder shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

16. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, references in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.
17. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of Rhode Island without reference to principles of conflict of laws. Subject to Section 6, the Company and Executive hereby consent to the jurisdiction of any or all of the following courts for

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purposes of resolving any dispute under this Agreement: (i) the United States District Court for Rhode Island or (ii) any of the courts of the State of Rhode Island. The Company and Executive further agree that any service of process or notice requirements in such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it or Executive may now or hereafter have to such jurisdiction and any defense of inconvenient forum.

18. Notices. Any notice given to a Party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to, such changed address as such Party may subsequently give such notice of:

If to CVS:

CVS Pharmacy, Inc.
One CVS Drive
Woonsocket, RI 02895
Attention: Corporate Secretary

If to Executive:

Troyen Brennan

19. Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.
20. Counterparts. This Agreement may be executed in two or more counterparts.

In WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the date first written above.

CVS Pharmacy, Inc.

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By: /s/ V. Michael Ferdinandi
V. Michael Ferdinandi
Senior Vice President
Human Resources, Corporate
Communications and Community
Relations

Troyen Brennan

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/s/ Troyen Brennan
EVP and Chief Medical Officer

Exhibit 13

Management's Discussion and Analysis of Financial Condition
and Results of Operations

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and Cautionary Statement Concerning Forward-Looking Statements that are included in this Annual Report.

Overview of Our Business

CVS Caremark Corporation ("CVS Caremark", the "Company", "we", "our" or "us"), together with its subsidiaries, is the largest integrated pharmacy health care provider in the United States. We are uniquely positioned to deliver significant benefits to health plan sponsors through effective cost management solutions and innovative programs that engage plan members and promote healthier and more cost-effective behaviors. Our integrated pharmacy services model enhances our ability to offer plan members and consumers expanded choice, greater access and more personalized services to help them on their path to better health. We effectively manage pharmaceutical costs and improve health care outcomes through our pharmacy benefit management, mail order and specialty pharmacy division, CVS Caremark[®] Pharmacy Services, our more than 7,600 CVS/pharmacy[®] and Drogaria Onofre[®] retail stores, our retail-based health clinic subsidiary, MinuteClinic[®], and our online retail pharmacies, CVS.com[®] and Onofre.com.br.

We currently have three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate.

Overview of Our Pharmacy Services Segment

Our Pharmacy Services business provides a full range of PBM services, including mail order and specialty pharmacy and infusion services, plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, retail pharmacy network management services, prescription management systems, clinical services and disease management services.

Our clients are primarily employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans and individuals throughout the United States.

As a pharmacy benefits manager, we manage the dispensing of pharmaceuticals through our mail order pharmacies, specialty pharmacies and national network of nearly 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies (which includes our CVS/pharmacy stores) and 27,000 independent pharmacies, to eligible members in the benefit plans maintained by our clients and utilize our information systems to perform, among other things, safety checks, drug interaction screenings and brand to generic substitutions.

Our specialty pharmacies support individuals that require complex and expensive drug therapies. Our specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark[®] and CarePlus CVS/pharmacy[®] names. Substantially all of our mail service specialty pharmacies have been accredited by The Joint Commission, which is an independent, not-for-profit organization that accredits and certifies health care organizations and programs in the United States.

We also provide health management programs, which include integrated disease management for 17 conditions, through our Accordant[®] rare disease management offering. The majority of these integrated programs are accredited by the National Committee for Quality Assurance.

In addition, through our SilverScript Insurance Company ("SilverScript") subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program. We currently provide Medicare Part D plan benefits to approximately 4.3 million beneficiaries through SilverScript.

Our Pharmacy Services Segment generates net revenues primarily by contracting with clients to provide prescription drugs to plan members. Net revenues are also generated by providing additional services to clients, including administrative services such as claims processing and formulary management, as well as health care-related services such as disease management.

The Pharmacy Services Segment operates under the CVS Caremark[®] Pharmacy Services, Caremark[®], CVS Caremark[®], CarePlus CVS/pharmacy[®], RxAmerica[®], Accordant[®], SilverScript[®] and Novologix[®] names. As of December 31, 2013, the Pharmacy Services Segment operated 25 retail specialty pharmacy stores, 11 specialty mail order pharmacies and four mail service dispensing pharmacies located in 22 states, Puerto Rico and the District of Columbia.

Overview of Our Retail Pharmacy Segment

Our Retail Pharmacy Segment sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards and convenience foods through our CVS/pharmacy[®], Longs Drugs[®] and Drogeria Onofre[®] retail stores and online through CVS.com[®] and Onofre.com.br. Our Retail Pharmacy Segment derives the majority of its revenues through the sale of prescription drugs, which are dispensed by our more than 23,500 retail pharmacists. The role of our retail pharmacists is shifting from primarily dispensing prescriptions to also providing services, including flu vaccinations as well as face-to-face patient counseling with respect to adherence to drug therapies, closing gaps in care, and more cost-effective drug therapies. Our integrated pharmacy services model enables us to enhance access to care while helping to lower overall health care costs and improve health outcomes.

Our Retail Pharmacy Segment also provides health care services through our MinuteClinic[®] health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations. We believe our clinics provide high quality services that are affordable and convenient.

Our proprietary loyalty card program, ExtraCare[®], has approximately 70 million active cardholders, making it one of the largest and most successful retail loyalty card programs in the country.

As of December 31, 2013, our Retail Pharmacy Segment included 7,660 retail drugstores (of which 7,603 operated a pharmacy) located in 43 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS/pharmacy[®], Longs Drugs[®] and Drogeria Onofre[®] names, 17 onsite pharmacies and 800 retail health care clinics operating under the MinuteClinic[®] name (of which 792 were located in CVS/pharmacy stores), and our online retail websites, CVS.com[®] and Onofre.com.br.

Overview of Our Corporate Segment

The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

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Results of Operations

Summary of our Consolidated Financial Results

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| <i>In millions, except per common share amounts</i> | | | |
| Net revenues | \$ 126,761 | \$ 123,120 | \$ 107,080 |
| Cost of revenues | 102,978 | 100,632 | 86,518 |
| Gross profit | 23,783 | 22,488 | 20,562 |
| Operating expenses | 15,746 | 15,278 | 14,231 |
| Operating profit | 8,037 | 7,210 | 6,331 |
| Interest expense, net | 509 | 557 | 584 |
| Loss on early extinguishment of debt | — | 348 | — |
| Income before income tax provision | 7,528 | 6,305 | 5,747 |
| Income tax provision | 2,928 | 2,436 | 2,258 |
| Income from continuing operations | 4,600 | 3,869 | 3,489 |
| Loss from discontinued operations, net of tax | (8) | (7) | (31) |
| Net income | 4,592 | 3,862 | 3,458 |
| Net loss attributable to noncontrolling interest | — | 2 | 4 |
| Net income attributable to CVS Caremark | \$ 4,592 | \$ 3,864 | \$ 3,462 |
| Diluted earnings per common share: | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 1.75 | \$ 3.02 | \$ 2.59 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Net income attributable to CVS Caremark | \$ 3.74 | \$ 3.02 | \$ 2.57 |

Net revenues increased \$3.6 billion in 2013 compared to 2012, and increased \$16.0 billion in 2012 compared to 2011. As you review our performance in this area, we believe you should consider the following important information:

- During 2013, net revenues in our Pharmacy Services Segment increased 3.8% and net revenues in our Retail Pharmacy Segment increased 3.1% compared to the prior year.
- During 2012, net revenues in our Pharmacy Services Segment increased by 24.7% and net revenues in our Retail Pharmacy Segment increased 6.8% compared to the prior year.
- The increase in our generic dispensing rates in both of our operating segments continued to have an adverse effect on net revenue in 2013 as compared to 2012, as well as in 2012 as compared to 2011. In 2012, the Pharmacy Services Segment had a greater impact from net new business as compared to 2013.

Please see the Segment Analysis later in this document for additional information about our net revenues.

Gross profit increased \$1.3 billion, or 5.8% in 2013, to \$23.8 billion, or 18.8% of net revenues, as compared to \$22.5 billion, or 18.3% of net revenues in 2012. Gross profit increased \$1.9 billion, or 9.4% in 2012, to \$22.5 billion, or 18.3% of net revenues, as compared to \$20.6 billion, or 19.2% of net revenues in 2011.

- During 2013, gross profit in our Pharmacy Services Segment and Retail Pharmacy Segment increased by 11.3% and 5.3%, respectively, compared to the prior year. For the year ended December 31, 2013, gross profit as a percent of net revenues in our Pharmacy Services Segment and Retail Pharmacy Segment was 5.6% and 30.6%, respectively.
- During 2012, gross profit in our Pharmacy Services Segment and Retail Pharmacy Segment increased by 16.1% and 9.3%, respectively, compared to the prior year. For the year ended December 31, 2012, gross profit as a percent of net revenues in our Pharmacy Services Segment and Retail Pharmacy Segment was 5.2% and 30.0%, respectively.
- The increased weighting toward the Pharmacy Services Segment, which has a lower gross profit than the Retail Pharmacy Segment, resulted in a decline in consolidated gross profit as a percent of net revenues in 2012 as compared to 2011. In addition, gross profit for 2013, 2012 and 2011 has been negatively impacted by the efforts of managed care.

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organizations, pharmacy benefit managers and governmental and other third-party payors to reduce their prescription drug costs.

Please see the Segment Analysis later in this document for additional information about our gross profit.

Operating expenses increased \$468 million, or 3.1% in the year ended December 31, 2013, as compared to the prior year. Operating expenses as a percent of net revenues remained flat at 12.4% in the year ended December 31, 2013, despite the dampening effect of generics on net revenues. The increase in operating expenses in the year ended December 31, 2013 was primarily due to incremental store operating costs associated with a higher store count as compared to the prior year, as well as strategic initiatives. The increase was partially offset by a \$72 million gain on a legal settlement recorded in the third quarter.

Operating expenses increased \$1.0 billion in the year ended December 31, 2012 as compared to the prior year. Operating expenses as a percent of net revenues improved approximately 90 basis points to 12.4% in the year ended December 31, 2012. The increase in operating expense dollars in the year ended December 31, 2012 was primarily due to incremental store operating costs associated with a higher store count as compared to the prior year, as well as the expansion of our Medicare Part D business. The improvement in operating expenses as a percent of net revenues is primarily due to expense leverage from net revenue growth and expense control initiatives.

Please see the Segment Analysis later in this document for additional information about operating expenses.

Interest expense, net for the years ended December 31 consisted of the following:

In millions

Interest expense
Interest income
Interest expense, net

| | 2013 | 2012 | 2011 |
|-----------------------|--------|--------|--------|
| Interest expense | \$ 517 | \$ 561 | \$ 588 |
| Interest income | (8) | (4) | (4) |
| Interest expense, net | \$ 509 | \$ 557 | \$ 584 |

Net interest expense decreased \$48 million during the year ended December 31, 2013, which resulted from lower average interest rates during 2013. During 2012, net interest expense decreased by \$27 million, to \$557 million compared to 2011, due to a reduction in our average outstanding short-term and long-term debt.

Income tax provision - Our effective income tax rate was 38.9%, 38.6% and 39.3% in 2013, 2012 and 2011, respectively. The effective income tax was higher in 2013 than in 2012 primarily due to certain permanent items in 2012. These same items were the principal factors for the lower effective income tax rate in 2012 compared to 2011.

Income from continuing operations increased \$731 million or 18.9% to \$4.6 billion in 2013. Income from continuing operations increased \$380 million or 10.9% to \$3.9 billion in 2012 as compared to \$3.5 billion in 2011. The 2013 increase in income from continuing operations was primarily related to increases in generic dispensing rates for both operating segments, increased volume across all channels in our Pharmacy Services Segment, as well as increased sales in the Retail Pharmacy Segment.

Loss from discontinued operations - In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Linens 'n Things, which filed for bankruptcy in 2008. The Company's loss from discontinued operations includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its Linens 'n Things lease guarantees.

We incurred a loss from discontinued operations of \$8 million in 2013, a loss from discontinued operations of \$7 million in 2012 and a loss from discontinued operations of \$31 million in 2011. The loss from discontinued operations in 2013 and 2012 was primarily due to costs related to Linens 'n Things lease guarantees. The loss from discontinued operations in 2011 was primarily due to the disposition of our TheraCom subsidiary. We recognized a \$53 million pre-tax gain and a \$37 million after-tax loss on the sale of TheraCom. The after-tax loss was caused by the income tax treatment of TheraCom's nondeductible goodwill.

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See Note 3 "Discontinued Operations" to the consolidated financial statements for additional information about discontinued operations and Note 12 "Commitments and Contingencies" for additional information about our lease guarantees.

Net loss attributable to noncontrolling interest represents the minority shareholders' portion of the net loss from our subsidiary, Generation Health, Inc., prior to June 2012. We acquired the remaining 40% interest of Generation Health, Inc. on June 29, 2012 and as a result, there was no longer a noncontrolling interest in Generation Health, Inc. for the year ended December 31, 2013. The net loss attributable to noncontrolling interest for the years ended December 31, 2012 and 2011 was \$2 million and \$4 million, respectively.

Net income attributable to CVS Caremark increased \$728 million or 18.8% to \$4.6 billion (or \$3.74 per diluted share) in 2013. This compares to \$3.9 billion (or \$3.02 per diluted share) in 2012 and \$3.5 billion (or \$2.57 per diluted share) in 2011. As discussed previously, the 2013 increase in net income attributable to CVS Caremark was primarily related to increased generic drug dispensing in both operating segments, increased volume across all channels in our Pharmacy Services Segment, and increased sales in our Retail Pharmacy Segment. The increase in net income attributable to CVS Caremark per diluted share was also driven by increased share repurchase activity in 2013 and 2012.

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Segment Analysis

We evaluate the performance of our Pharmacy Services and Retail Pharmacy segments based on net revenues, gross profit and operating profit before the effect of certain intersegment activities and charges. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of discontinued operations and certain intersegment activities and charges. The following is a reconciliation of the Company's business segments to the consolidated financial statements:

| <u>In millions</u> | Pharmacy Services Segment ⁽¹⁾⁽²⁾ | Retail Pharmacy Segment ⁽²⁾ | Corporate Segment | Intersegment Eliminations ⁽³⁾ | Consolidated Totals |
|-------------------------|---|--|-------------------|--|---------------------|
| 2013: | | | | | |
| Net revenues | \$ 76,208 | \$ 65,618 | \$ — | \$ (15,065) | \$ 126,761 |
| Gross profit | 4,237 | 20,112 | — | (566) | 23,783 |
| Operating profit (loss) | 3,086 | 6,268 | (751) | (566) | 8,037 |
| 2012: | | | | | |
| Net revenues | \$ 73,444 | \$ 63,641 | \$ — | \$ (13,965) | \$ 123,120 |
| Gross profit | 3,808 | 19,091 | — | (411) | 22,488 |
| Operating profit (loss) | 2,679 | 5,636 | (694) | (411) | 7,210 |
| 2011: | | | | | |
| Net revenues | \$ 58,874 | \$ 59,579 | \$ — | \$ (11,373) | \$ 107,080 |
| Gross profit | 3,279 | 17,469 | — | (186) | 20,562 |
| Operating profit (loss) | 2,220 | 4,913 | (616) | (186) | 6,331 |

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Pharmacy Services Segment

The following table summarizes our Pharmacy Services Segment's performance for the respective periods:

| <i>In millions</i> | Year Ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Net revenues | \$ 76,208 | \$ 73,444 | \$ 58,874 |
| Gross profit | \$ 4,237 | \$ 3,808 | \$ 3,279 |
| Gross profit % of net revenues | 5.6% | 5.2% | 5.6% |
| Operating expenses | \$ 1,151 | \$ 1,129 | \$ 1,059 |
| Operating expenses % of net revenues | 1.5% | 1.5% | 1.8% |
| Operating profit | \$ 3,086 | \$ 2,679 | \$ 2,220 |
| Operating profit % of net revenues | 4.1% | 3.6% | 3.8% |
| Net revenues ⁽¹⁾ : | | | |
| Mail choice ⁽²⁾ | \$ 24,791 | \$ 22,843 | \$ 18,616 |
| Pharmacy network ⁽³⁾ | \$ 51,211 | \$ 50,411 | \$ 40,040 |
| Other | \$ 206 | \$ 190 | \$ 218 |
| Pharmacy claims processed ⁽⁴⁾ : | | | |
| Total | 902.1 | 880.5 | 774.6 |
| Mail choice ⁽²⁾ | 83.3 | 81.7 | 70.6 |
| Pharmacy network ⁽³⁾ | 818.8 | 798.8 | 704.0 |
| Generic dispensing rate ⁽⁵⁾ : | | | |
| Total | 80.8% | 78.5% | 74.1% |
| Mail choice ⁽²⁾ | 76.0% | 72.0% | 64.9% |
| Pharmacy network ⁽³⁾ | 81.3% | 79.1% | 75.0% |
| Mail choice penetration rate | 22.6% | 22.7% | 22.3% |

(1) Pharmacy network, net revenues, claims processed and generic dispensing rates do not include Maintenance Choice, which are included within the mail choice category.

(2) Mail choice is defined as claims filled at a Pharmacy Services mail facility, which includes specialty mail claims, as well as 90-day claims filled at our retail stores under the Maintenance Choice program.

(3) Pharmacy network is defined as claims filled at retail pharmacies, including our retail drugstores, but excluding Maintenance Choice activity.

Medicare Part D Update - The Company participates in the Medicare Part D program by (1) providing Medicare Part D-related PBM services to our health plan and other clients that have qualified as Medicare Part D plans, and (2) offering Medicare Part D pharmacy benefits through the Company's own SilverScript PDP, which offers benefits to individual members and through employer group waiver plans ("EGWPs"). At the beginning of the 2013 Medicare Part D plan year, the Company implemented an enrollment systems conversion process and other actions to consolidate its Medicare Part D PDPs into the Company's SilverScript PDP. These consolidation efforts impacted certain enrollment and coverage determination services the Company provided to SilverScript enrollees following commencement of the 2013 plan year. Effective January 15, 2013, Centers for Medicare and Medicaid Services ("CMS") imposed intermediate sanctions on the SilverScript PDP, consisting of immediate suspension of further plan enrollment and marketing activities. On December 20, 2013, the Company announced that CMS completed its review of the corrective actions taken to address the coverage determination issues resulting from the Company's plan consolidation efforts and the sanctions were removed.

Net revenues in our Pharmacy Services Segment increased \$2.8 billion, or 3.8%, to \$76.2 billion for the year ended December 31, 2013, as compared to the prior year. The increase in net revenues was primarily due to drug cost inflation in the specialty pharmacy business. Conversely, the increase in our generic dispensing rate had a negative impact on our revenue in 2013, as it did in 2012.

Net revenues increased \$14.6 billion, or 24.7%, to \$73.4 billion for the year ended December 31, 2012, as compared to the prior year. The increase in 2012 was primarily due to new client starts on January 1, 2012, drug cost inflation and the growth of our Medicare Part D business. Additionally, the increase in our generic dispensing rate had a negative impact on our revenue in 2012 as it did in 2011.

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As you review our Pharmacy Services Segment's revenue performance, we believe you should also consider the following important information:

- Our mail choice claims processed increased 1.9% to 83.3 million claims in the year ended December 31, 2013, compared to 81.7 million claims in the prior year. The increase in mail choice claim volume was primarily due to increased claims associated with the continuing client adoption of our Maintenance Choice offerings. During 2012, our mail choice claims processed increased 15.7% to 81.7 million claims. The increase in mail choice claim volume was primarily due to a significant number of 2012 new client starts, as well as increased claims associated with the continued adoption of our Maintenance Choice offerings.
- During 2013 and 2012, our average revenue per mail choice claim increased by 6.5% and 6.0%, compared to 2012 and 2011, respectively. This increase was primarily due to drug cost inflation particularly in our specialty business, partially offset by increases in the percentage of generic prescription drugs dispensed and changes in client pricing.
- Our mail choice generic dispensing rate was 76.0%, 72.0% and 64.9% in the years ended December 31, 2013, 2012 and 2011, respectively.
- Our pharmacy network generic dispensing rate increased to 81.3% in the year ended December 31, 2013, compared to 79.1% in the prior year. During 2012, our pharmacy network generic dispensing rate increased to 79.1% compared to our pharmacy network generic dispensing rate of 75.0% in 2011. These continued increases in both mail choice and pharmacy network generic dispensing rates were primarily due to the impact of new generic drug introductions, primarily in 2012, and our continuous efforts to encourage plan members to use generic drugs when they are available. We believe our generic dispensing rates will continue to increase in future periods, albeit, at a slower pace. This increase will be affected by, among other things, the number of new generic drug introductions and our success at encouraging plan members to utilize generic drugs when they are available and clinically appropriate.

Our pharmacy network claims processed increased 2.5% to 818.8 million claims in the year ended December 31, 2013, compared to 798.8 million claims in the prior year. During 2012, our pharmacy network claims processed increased 13.5% to 798.8 million compared to 704.0 million pharmacy network claims processed in 2011. The increase in the pharmacy network claim volume was primarily due to higher claims activity associated with our Medicare Part D program.

- Our average revenue per pharmacy network claim processed decreased 0.9% in the year ended December 31, 2013 as compared to the prior year. This decrease was primarily due to increases in the generic dispensing rate. During 2012, our average revenue per pharmacy network claim processed increased by 11.0%, compared to 2011. This increase was primarily due to drug cost inflation partially offset by increases in the generic dispensing rate.
- The Pharmacy Services Segment recognizes revenues for its pharmacy network transactions based on individual contract terms. In accordance with ASC 605, Revenue Recognition, CVS Caremark Pharmacy Services' contracts are predominantly accounted for using the gross method.
- Gross profit in our Pharmacy Services Segment includes net revenues less cost of revenues. Cost of revenues includes (i) the cost of pharmaceuticals dispensed, either directly through our mail service and specialty retail pharmacies or indirectly through our pharmacy network, (ii) shipping and handling costs and (iii) the operating costs of our mail service dispensing pharmacies, customer service operations and related information technology support.
- Gross profit increased \$429 million, or 11.3% to \$4.2 billion in the year ended December 31, 2013, as compared to the prior year. Gross profit as a percentage of net revenues increased to 5.6% for the year ended December 31, 2013, compared to 5.2% in the prior year. The increase in gross profit dollars and gross profit as a percentage of net revenues in the year ended December 31, 2013 was primarily due to an increase in generic dispensing.
- During 2012, gross profit increased \$529 million, or 16.1%, to \$3.8 billion in the year ended December 31, 2012, as compared to the prior year. Gross profit as a percentage of net revenues was 5.2% for the year ended December 31, 2012, compared to 5.6% in the prior year. The increase in gross profit dollars in the year ended December 31, 2012 was primarily due to a significant number of 2012 new client starts, an increase in generic dispensing and drug cost inflation. The decrease in gross profit as a percentage of revenue was driven primarily by client pricing compression, increased payroll and other expenses associated with our mail and specialty operations, and expanding Medicare Part D operations, which has lower margins. The increase in expenses associated with our mail operations was the result of the significant number of 2012 new client starts.
- As you review our Pharmacy Services Segment's performance in this area, we believe you should consider the following important information:
- Operating expenses in our Pharmacy Services Segment, which include selling, general and administrative expenses, depreciation and amortization related to selling, general and administrative activities and retail specialty pharmacy store and administrative payroll, employee benefits and occupancy costs, remained flat at 1.5% of net revenues in 2013 compared to 1.5% in 2012, and decreased from 1.8% in 2011.
- As you review our Pharmacy Services Segment's performance in this area, we believe you should consider the following important information:
- Retail Pharmacy Segment**
- The following table summarizes our Retail Pharmacy Segment's performance for the respective periods:

- Our gross profit dollars and gross profit as a percentage of net revenues continued to be impacted by our efforts to (i) retain existing clients, (ii) obtain new business and (iii) maintain or improve the rebates and/or discounts we received from manufacturers, wholesalers and retail pharmacies. In particular, competitive pressures in the PBM industry have caused us and other PBMs to continue to share a larger portion of rebates and/or discounts received from pharmaceutical manufacturers with clients. In addition, market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes retail network "differential" or "spread". We expect these trends to continue. The "differential" or "spread" is any difference between the drug price charged to plan sponsors, including Medicare Part D plan sponsors, by a PBM and the price paid for the drug by the PBM to the dispensing provider. The increased use of generic drugs has positively impacted our gross profit margins but has resulted in third party payors augmenting their efforts to reduce reimbursement payments for prescriptions. This trend, which we expect to continue, reduces the benefit we realize from brand to generic product conversions.
- We review our network contracts on an individual basis to determine if the related revenues should be accounted for using the gross method or net method under the applicable accounting rules. CVS Caremark Pharmacy Services' network contracts are predominantly accounted for using the gross method, which results in higher revenues, higher cost of revenues and lower gross profit rates.
- Our gross profit as a percentage of revenues benefited from the increase in our total generic dispensing rate, which increased to 80.8% and 78.5% in 2013 and 2012, respectively, compared to our generic dispensing rate of 74.1% in 2011. These increases were primarily due to new generic drug introductions and our continued efforts to encourage plan members to use generic drugs when they are available. We expect these trends to continue, albeit at a slower pace.
- Operating expenses increased \$22 million or 1.9%, to \$1.2 billion, in the year ended December 31, 2013, compared to the prior year. The increase in operating expenses is primarily related to costs associated with the remediation of Medicare Part D sanctions and coverage determination issues discussed previously. The increase was partially offset by the Pharmacy Services Segment's \$11 million share of a gain on a legal settlement recorded in the third quarter of 2013.
- During 2012, the increase in operating expenses of \$70 million or 6.6%, to \$1.1 billion compared to 2011, is primarily related to increased costs associated with the expansion of our Medicare Part D business. The decrease in operating expenses as a percentage of net revenues from 1.8% to 1.5% is primarily due to expense leverage from net revenue growth and expense control initiatives.

| In millions | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2013 | 2012 | 2011 |
| Net revenues | \$ 65,618 | \$ 63,641 | \$ 59,579 |
| Gross profit | \$ 20,112 | \$ 19,091 | \$ 17,469 |
| Gross profit % of net revenues | 30.6 % | 30.0 % | 29.3 % |
| Operating expenses | \$ 13,844 | \$ 13,455 | \$ 12,556 |
| Operating expenses % of net revenues | 21.1 % | 21.1 % | 21.1 % |
| Operating profit | \$ 6,268 | \$ 5,636 | \$ 4,913 |
| Operating profit % of net revenues | 9.6 % | 8.9 % | 8.2 % |
| Retail prescriptions filled (90 Day = 1 prescription) | 734.3 | 717.4 | 657.7 |
| Retail prescriptions filled (90 Day = 3 prescriptions) ⁽¹⁾ | 890.1 | 845.8 | 763.6 |
| Net revenue increase: | | | |
| Total | 3.1 % | 6.8 % | 3.9 % |
| Pharmacy | 4.1 % | 7.6 % | 4.3 % |
| Front Store | 1.0 % | 5.1 % | 3.0 % |
| Total prescription volume (90 Day = 1 prescription) | 2.4 % | 9.1 % | 3.4 % |
| Total prescription volume (90 Day = 3 prescriptions) ⁽¹⁾ | 5.2 % | 11.0 % | 5.5 % |
| Same store sales increase: | | | |
| Total | 1.7 % | 5.6 % | 2.3 % |
| Pharmacy | 2.6 % | 6.6 % | 3.0 % |
| Front Store | (0.5)% | 3.4 % | 0.8 % |
| Prescription volume (90 Day = 1 prescription) | 1.5 % | 8.1 % | 2.3 % |
| Prescription volume (90 Day = 3 prescriptions) ⁽¹⁾ | 4.4 % | 10.0 % | 4.3 % |
| Generic dispensing rates | 81.4 % | 79.2 % | 75.6 % |
| Pharmacy % of net revenues | 69.5 % | 68.8 % | 68.3 % |
| Third party % of pharmacy revenue | 97.9 % | 97.5 % | 97.8 % |

(1) Includes the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

Net revenues increased approximately \$2.0 billion, or 3.1%, to \$65.6 billion for the year ended December 31, 2013, as compared to the prior year. This increase was primarily driven by a same store sales increase of 1.7% and net revenues from new and acquired stores, which accounted for approximately 130 basis points of our total net revenue percentage increase during the year. Additionally, we continued to see a positive impact on our net revenues due to the growth of our Maintenance Choice program.

Net revenues in our Retail Pharmacy Segment increased \$4.1 billion, or 6.8%, to \$63.6 billion for the year ended December 31, 2012, as compared to the prior year. This increase was primarily driven by a same store sales increase of 5.6% and net revenues from new stores, which accounted for approximately 110 basis points of our total net revenue percentage increase during the year. Additionally, we continued to see a positive impact on our net revenues due to the growth of our Maintenance Choice program.

As you review our Retail Pharmacy Segment's performance in this area, we believe you should consider the following important information:

- Front store same store sales declined 0.5% in the year ended December 31, 2013, as compared to the prior year. 2013 had one less day as a result of 2012 being a leap year, which had a negative impact on front store same store sales of approximately 40 basis points. Front store same store sales were negatively impacted by a decrease in customer traffic, partially offset by an increase in basket size.

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- Pharmacy same store sales rose 2.6% in the year ended December 31, 2013, as compared to the prior year. Pharmacy same store sales were positively impacted by increased prescription volume, partially offset by the negative impact of the increase in generic dispensing, reimbursement pressure, and the impact of 2013 having one fewer day as a result of 2012 being a leap year.
- Pharmacy revenues continue to be negatively impacted by the conversion of brand name drugs to equivalent generic drugs, which typically have a lower selling price. Pharmacy same store sales were negatively impacted by approximately 540 and 700 basis points for the years ended December 31, 2013 and 2012, respectively, due to recent generic introductions. The decrease in the impact from 2012 to 2013 was primarily due to a smaller impact from new generic drug introductions. In addition, our pharmacy growth has also been adversely affected by the lack of significant new brand name drug introductions, higher consumer co-payments and co-insurance arrangements and an increase in the number of over-the-counter remedies that were historically only available by prescription.
- As of December 31, 2013, we operated 7,660 retail stores compared to 7,458 retail stores as of December 31, 2012 and 7,327 retail stores as of December 31, 2011. Total net revenues from new stores (excluding acquired stores) contributed approximately 1.0%, 1.1% and 1.3% to our total net revenue percentage increase in 2013, 2012, and 2011, respectively.
- Pharmacy revenue growth continued to benefit from increased utilization by Medicare Part D beneficiaries, the ability to attract and retain managed care customers and favorable industry trends. These trends include an aging American population; many "baby boomers" are now in their fifties and sixties and are consuming a greater number of prescription drugs. In addition, the increased use of pharmaceuticals as the first line of defense for individual health care also contributed to the growing demand for pharmacy services. We believe these favorable industry trends will continue.

Gross profit in our Retail Pharmacy Segment includes net revenues less the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing costs, delivery costs and actual and estimated inventory losses.

Gross profit increased \$1.0 billion, or 5.3%, to \$20.1 billion in the year ended December 31, 2013, as compared to the prior year. Gross profit as a percentage of net revenues increased to 30.6% in year ended December 31, 2013, from 30.0% in 2012. The increase in gross profit dollars in the year ended December 31, 2013, was primarily driven by increases in the generic dispensing rate, same store sales and new store sales. The increase in gross profit as a percentage of net revenues was primarily driven by increased pharmacy margins due to the positive impact of increased generic dispensing rates and increased front store margins, partially offset by continued reimbursement pressure.

Gross profit increased \$1.6 billion, or 9.3%, to \$19.1 billion for the year ended December 31, 2012, as compared to the prior year. Gross profit as a percentage of net revenues increased to 30.0% for the year ended December 31, 2012, compared to 29.3% for the prior year. The increase in gross profit dollars in the year ended December 31, 2012, was primarily driven by same store sales increases. The increase in gross profit as a percentage of revenue was primarily driven by increased pharmacy margins due to the positive impact of increased generic drugs dispensed, partially offset by continued reimbursement pressure and lower front store margins.

As you review our Retail Pharmacy Segment's performance in this area, we believe you should consider the following important information:

- Gross profit was positively impacted by approximately \$31 million for the year ended December 31, 2012 as a result of the change in inventory accounting methods described in Note 2 to our consolidated financial statements. The impact of this change on gross profit as a percentage of net revenues for the year ended December 31, 2012 was approximately five basis points.
- On average, our gross profit on front store revenues is generally higher than our gross profit on pharmacy revenues. Front store revenues were 30.5%, 31.2% and 31.7% of total revenues, in 2013, 2012 and 2011, respectively. Pharmacy revenues were 69.5%, 68.8% and 68.3% of total revenues, in 2013, 2012 and 2011, respectively. This shift in sales mix had a negative effect on our overall gross profit for the years ended December 31, 2013, 2012 and 2011, respectively. The negative effect was offset by increasing generic drug dispensing rates.
- Our pharmacy gross profit rates have been adversely affected by the efforts of managed care organizations, pharmacy benefit managers and governmental and other third party payors to reduce their prescription drug costs. In the event this trend continues, we may not be able to sustain our current rate of revenue growth and gross profit dollars could be adversely impacted.
- The increased use of generic drugs has positively impacted our gross profit margins but has resulted in third party payors augmenting their efforts to reduce reimbursement payments to retail pharmacies for prescriptions. This trend, which we expect to continue, reduces the benefit we realize from brand to generic product conversions.
- Sales to customers covered by third party insurance programs are a large component of our total pharmacy business. On average, our gross profit on third party pharmacy revenues is lower than our gross profit on cash pharmacy revenues. Third party pharmacy revenues were 97.9% of pharmacy revenues in 2013, compared to 97.5% and 97.8% of pharmacy revenues in 2012 and 2011, respectively.
- The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, "ACA") made several significant changes to Medicaid rebates and to reimbursement. One of these changes was the proposed revision of the definition of Average Manufacturer Price ("AMP") and the reimbursement formula for multi-source drugs. Changes in reporting of AMP or other adjustments that may be made regarding the reimbursement of drug payments by Medicaid and Medicare could impact our pricing to customers and other payors and/or could impact our ability to negotiate discounts or rebates with manufacturers, wholesalers, PBMs or retail and mail pharmacies. See "Government Regulation" within Part I, Item 1, Business, for additional information.

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Operating expenses in our Retail Pharmacy Segment include store payroll, store employee benefits, store occupancy costs, selling expenses, advertising expenses, depreciation and amortization expense and certain administrative expenses.

Operating expenses increased \$389 million, or 2.9%, to \$13.8 billion, or 21.1% as a percentage of net revenues, in the year ended December 31, 2013, as compared to \$13.5 billion, or 21.1% as a percentage of net revenues, in the prior year. Operating expenses increased \$899 million, or 7.2%, to \$13.5 billion, or 21.1% as a percentage of net revenues, in the year ended December 31, 2012, as compared to \$12.6 billion, or 21.1% as a percentage of net revenues, in the prior year. Operating expenses as a percentage of net revenues remained consistent from 2011 through 2013 primarily due to disciplined cost control, despite the negative impact of generics on net revenues. The increase in operating expense dollars in 2013 and 2012 was the result of higher store operating costs associated with our increased store count. The increase was partially offset by the Retail Pharmacy Segment's \$61 million share of a gain on a legal settlement recorded in the third quarter of 2013.

Corporate Segment

Operating expenses increased \$57 million, or 8.3%, to \$751 million in the year ended December 31, 2013, as compared to the prior year. Operating expenses increased \$78 million, or 12.5%, to \$694 million in the year ended December 31, 2012. Operating expenses within the Corporate Segment include executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance related costs. The increase in operating expenses in 2013 was primarily due to higher benefit costs and strategic initiatives. The increase in operating expenses in 2012 was primarily due to higher benefit costs and information technology expenses.

Liquidity and Capital Resources

We maintain a level of liquidity sufficient to allow us to cover our cash needs in the short-term. Over the long-term, we manage our cash and capital structure to maximize shareholder return, maintain our financial position and maintain flexibility for future strategic initiatives. We continuously assess our working capital needs, debt and leverage levels, capital expenditure requirements, dividend payouts, potential share repurchases and future investments or acquisitions. We believe our operating cash flows, commercial paper program, sale-leaseback program, as well as any potential future borrowings, will be sufficient to fund these future payments and long-term initiatives.

Net cash provided by operating activities was \$5.8 billion for the year ended December 31, 2013, compared to \$6.7 billion in 2012, and \$5.9 billion in 2011. The decrease in 2013 was primarily due to increased accounts receivable due to the timing of payments from CMS in connection with our Medicare Part D operations, partially offset by improved inventory management. The increase in 2012 was primarily due to the significant increase in net income, improved receivables management, improved payables management, and the timing of payments.

Net cash used in investing activities was \$1.8 billion in 2013 and 2012. This compares to approximately \$2.4 billion in 2011. The decrease in 2012 was primarily due to the \$1.3 billion acquisition of the Medicare prescription drug business of Universal American Corp. (the "UAM Medicare Part D Business") which occurred in April 2011.

In 2013, gross capital expenditures totaled approximately \$2.0 billion, a decrease of \$46 million compared to the prior year. During 2013, approximately 45% of our total capital expenditures were for new store construction, 25% were for store,

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fulfillment and support facilities expansion and improvements and 30% were for technology and other corporate initiatives. Gross capital expenditures totaled approximately \$2.0 billion during 2012, compared to approximately \$1.9 billion in 2011. The increase in gross capital expenditures during 2012 was primarily due to the increased spending on store expansion and improvements. During 2012, approximately 45% of our total capital expenditures were for new store construction, 40% were for store expansion and improvements and 15% were for technology and other corporate initiatives.

Proceeds from sale-leaseback transactions totaled \$600 million in 2013. This compares to \$529 million in 2012 and \$592 million in 2011. Under the sale-leaseback transactions, the properties are generally sold at net book value, which generally approximates fair value, and the resulting leases generally qualify and are accounted for as operating leases. The specific timing and amount of future sale-leaseback transactions will vary depending on future market conditions and other factors.

Below is a summary of our store development activity for the respective years:

| | 2013 ⁽¹⁾ | 2012 ⁽¹⁾ | 2011 ⁽¹⁾ |
|--|---------------------|---------------------|---------------------|
| Total stores (beginning of year) | 7,508 | 7,388 | 7,248 |
| New and acquired stores ⁽¹⁾ | 213 | 150 | 162 |
| Closed stores ⁽²⁾ | (19) | (30) | (22) |
| Total stores (end of year) | 7,702 | 7,508 | 7,388 |
| Relocated stores | 78 | 90 | 86 |

(1) Relocated stores are not included in new or closed store totals.

(2) Excludes specialty mail order facilities.

Net cash used in financing activities was approximately \$1.2 billion in 2013, compared to net cash used in financing activities of \$4.9 billion in 2012 and \$3.5 billion in 2011. Net cash used in financing activities decreased \$3.7 billion in 2013 primarily due to greater net borrowings than in the prior year. Net cash used in financing activities increased \$1.4 billion in 2012 primarily due to \$1.3 billion more repurchases of common stock than in the prior year.

Share repurchase programs — On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program"). Each of these share repurchase authorizations, which were effective immediately, permit the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The 2013 and 2012 Repurchase Programs may be modified or terminated by the Board of Directors at any time.

On August 23, 2011, our Board of Directors authorized a share repurchase program for up to \$4.0 billion of outstanding common stock (the "2011 Repurchase Program"). This share repurchase authorization, which was effective immediately, permitted us to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The 2011 Repurchase Program has been completed, as described below.

Pursuant to the authorization under the 2012 Repurchase Program, effective October 1, 2013, we entered into a \$1.7 billion fixed dollar accelerated share repurchase ("ASR") agreement with Barclays Bank PLC ("Barclays"). Upon payment of the \$1.7 billion purchase price on October 1, 2013, we received a number of shares of our common stock equal to 50% of the \$1.7 billion notional amount of the ASR agreement or approximately 14.9 million shares at a price of \$56.88 per share. The Company received approximately 11.7 million shares of common stock on December 30, 2013 at an average price of \$63.83 per share, representing the remaining 50% of the \$1.7 billion notional amount of the ASR agreement and thereby concluding the agreement. The total of 26.6 million shares of common stock delivered to the Company by Barclays over the term of the October 2013 ASR agreement were placed into treasury stock.

Pursuant to the authorizations under the 2011 and 2012 Repurchase Programs, on September 19, 2012, we entered into a \$1.2 billion fixed dollar ASR agreement with Barclays. Upon payment of the \$1.2 billion purchase price on September 20, 2012, we received a number of shares of our common stock equal to 50% of the \$1.2 billion notional amount of the ASR agreement or approximately 12.6 million shares at a price of \$47.71 per share. We received approximately 13.0 million shares of common stock on November 16, 2012 at an average price of \$46.96 per share, representing the remaining 50% of the \$1.2 billion notional amount of the ASR agreement and thereby concluding the agreement, and completing the 2011 Repurchase Program.

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The total of 25.6 million shares of common stock delivered to us by Barclays over the term of the September 2012 ASR agreement were placed into treasury stock.

Pursuant to the authorization under the 2011 Repurchase Program, on August 24, 2011, we entered into a \$1.0 billion fixed dollar ASR agreement with Barclays. The ASR agreement contained provisions that establish the minimum and maximum number of shares to be repurchased during its term. Pursuant to this ASR agreement, on August 25, 2011, we paid \$1.0 billion to Barclays in exchange for Barclays delivering 20.3 million shares of common stock to us. On September 16, 2011, upon establishment of the minimum number of shares to be repurchased, Barclays delivered an additional 5.4 million shares of common stock to us. At the conclusion of the transaction, Barclays delivered a final installment of 1.6 million shares of common stock on December 29, 2011. The aggregate 27.3 million shares of common stock delivered to us by Barclays under the August 2011 ASR agreement, were placed into treasury stock. This represented all the repurchases that occurred during the year ended December 31, 2011 under the 2011 Repurchase Program.

During the years ended December 31, 2013 and 2012, we repurchased an aggregate of 66.2 million and 95.0 million shares of common stock for approximately \$4.0 and \$4.3 billion, respectively, under the 2012 and 2011 Repurchase Programs. As of December 31, 2013, there remained an aggregate of approximately \$6.7 billion available for future repurchases under the 2013 and 2012 Repurchase Programs.

On June 14, 2010, our Board of Directors authorized a share repurchase program for up to \$2.0 billion of our outstanding common stock (the "2010 Repurchase Program"). During the year ended December 31, 2011, we repurchased an aggregate of 56.4 million shares of common stock for approximately \$2.0 billion, completing the 2010 Repurchase Program.

Short-term borrowings - There was no commercial paper outstanding as of December 31, 2013. In connection with our commercial paper program, we maintain a \$1.25 billion, four-year unsecured back-up credit facility, which expires on May 23, 2016, a \$1.25 billion, five-year unsecured back-up credit facility, which expires on February 17, 2017, and a \$1.0 billion, five-year unsecured back-up credit facility, which expires on May 23, 2018. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. As of December 31, 2013, there were no borrowings outstanding under the back-up credit facilities.

Long-term borrowings - On December 2, 2013, the Company issued \$750 million of 1.2% unsecured senior notes due December 5, 2016; \$1.25 billion of 2.25% unsecured senior notes due December 5, 2018; \$1.25 billion of 4% unsecured senior notes due December 5, 2023; and \$750 million of 5.3% unsecured senior notes due December 5, 2031 (the "2013 Notes") for total proceeds of approximately \$4.0 billion, net of discounts and underwriting fees. The 2013 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2013 Notes were used to repay commercial paper outstanding at the time of issuance and to fund the acquisition of Coram LLC in January 2014. The remainder will be used for general corporate purposes.

On November 26, 2012, we issued \$1.25 billion of 2.75% unsecured senior notes due December 1, 2022 (the "2012 Notes") for total proceeds of approximately \$1.24 billion, net of discounts and underwriting fees. The 2012 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at our option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2012 Notes were used for general corporate purposes and to repay certain corporate debt.

Also on November 26, 2012, we announced tender offers for any and all of the 6.6% Senior Notes due 2019, and up to a maximum amount of the 6.125% Senior Notes due 2016 and 5.75% Senior Notes due 2017, for up to an aggregate principal amount of \$1.0 billion. In December 2012, we increased the aggregate principal amount of the tender offers to \$1.325 billion and completed the repurchase for the maximum amount. We paid a premium of \$332 million in excess of the debt principal in connection with the tender offers, wrote off \$13 million of unamortized deferred financing costs and incurred \$3 million in fees, for a total loss on the early extinguishment of debt of \$348 million. The loss was recorded in income from continuing operations on the consolidated statement of income.

In connection with our acquisition of the UAM Medicare Part D Business in April 2011, we assumed \$110 million of long-term debt in the form of Trust Preferred Securities that mature through 2037. During the years ended December 31, 2012 and 2011, we repaid \$50 million and \$60 million, respectively, of the Trust Preferred Securities at par.

On May 12, 2011, we issued \$550 million of 4.125% unsecured senior notes due May 15, 2021 and issued \$950 million of 5.75% unsecured senior notes due May 15, 2041 (collectively, the "2011 Notes") for total proceeds of approximately \$1.5

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billion, net of discounts and underwriting fees. The 2011 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at our option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2011 Notes were used to repay commercial paper borrowings and certain other corporate debt, and were used for general corporate purposes.

In December 2011 and July 2012, we repurchased \$958 million and \$1 million of the principal amount of our Enhanced Capital Advantaged Preferred Securities ("ECAPS") at par. The fees and write-off of deferred issuance costs associated with the early extinguishment of the ECAPS were de minimis. The remaining \$41 million of outstanding ECAPS are due in 2062 and had a fixed rate of interest of 6.302% per year until June 1, 2012, at which time we began paying interest based on a floating rate (2.3% and 2.59% at December 31, 2013 and 2012, respectively). The ECAPS pay interest semi-annually and may be redeemed at any time, in whole or in part, at a defined redemption price plus accrued interest.

Our backup credit facilities, unsecured senior notes and ECAPS (see Note 6 to the Consolidated Financial Statements) contain customary restrictive financial and operating covenants.

These covenants do not include a requirement for the acceleration of our debt maturities in the event of a downgrade in our credit rating. We do not believe the restrictions contained in these covenants materially affect our financial or operating flexibility.

As of December 31, 2013 and 2012, we had no outstanding derivative financial instruments.

Debt Ratings - As of December 31, 2013, our long-term debt was rated "Baa1" by Moody's with a stable outlook and "BBB+" by Standard & Poor's with a stable outlook, and our commercial paper program was rated "P-2" by Moody's and "A-2" by Standard & Poor's. In assessing our credit strength, we believe that both Moody's and Standard & Poor's considered, among other things, our capital structure and financial policies as well as our consolidated balance sheet, our historical acquisition activity and other financial information. Although we currently believe our long-term debt ratings will remain investment grade, we cannot guarantee the future actions of Moody's and/or Standard & Poor's. Our debt ratings have a direct impact on our future borrowing costs, access to capital markets and new store operating lease costs.

Quarterly Dividend Increase - In December 2013, our Board of Directors authorized a 22% increase in our quarterly common stock dividend to \$0.275 per share. This increase equates to an annual dividend rate of \$1.10 per share. In December 2012, our Board of directors authorized a 38% increase in our quarterly common stock dividend to \$0.225 per share. This increase equated to an annual dividend rate of \$0.90 per share. In December 2011, our Board of Directors authorized a 30% increase in our quarterly common stock dividend to \$0.1625 per share. This increase equated to an annual dividend rate of \$0.65 per share.

Off-Balance Sheet Arrangements

In connection with executing operating leases, we provide a guarantee of the lease payments. We also finance a portion of our new store development through sale-leaseback transactions, which involve selling stores to unrelated parties and then leasing the stores back under leases that generally qualify and are accounted for as operating leases. We do not have any retained or contingent interests in the stores, and we do not provide any guarantees, other than a guarantee of the lease payments, in connection with the transactions. In accordance with generally accepted accounting principles, our operating leases are not reflected on our consolidated balance sheets.

Between 1991 and 1997, we sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, Marshalls, Kay-Bee Toys, This End Up and Footstar. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of, the Company's guarantees remained in place, although each initial purchaser agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations.

As of December 31, 2013, we guaranteed approximately 73 such store leases (excluding the lease guarantees related to Linens 'n Things), with the maximum remaining lease term extending through 2026. Management believes the ultimate disposition of any of the remaining lease guarantees will not have a material adverse effect on the Company's consolidated financial condition or future cash flows. Please see "Loss from discontinued operations" previously in this document for further information regarding our guarantee of certain Linens 'n Things' store lease obligations.

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Below is a summary of our significant contractual obligations as of December 31, 2013:

| In millions | Payments Due by Period | | | | |
|---|------------------------|-----------------|-----------------|-----------------|------------------|
| | Total | 2014 | 2015 to 2016 | 2017 to 2018 | Thereafter |
| Operating leases | \$ 27,090 | \$ 2,175 | \$ 4,184 | \$ 3,817 | \$ 16,914 |
| Lease obligations from discontinued operations | 71 | 18 | 32 | 14 | 7 |
| Capital lease obligations | 789 | 46 | 93 | 94 | 556 |
| Long-term debt | 13,012 | 551 | 1,749 | 2,574 | 8,138 |
| Interest payments on long-term debt ⁽¹⁾ | 7,821 | 596 | 1,111 | 915 | 5,199 |
| Other long-term liabilities reflected in our consolidated balance sheet | 514 | 54 | 158 | 81 | 221 |
| | <u>\$ 49,297</u> | <u>\$ 3,440</u> | <u>\$ 7,327</u> | <u>\$ 7,495</u> | <u>\$ 31,035</u> |

(1) Interest payments on long-term debt are calculated on outstanding balances and interest rates in effect on December 31, 2013.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with generally accepted accounting principles, which require management to make certain estimates and apply judgment. We base our estimates and judgments on historical experience, current trends and other factors that management believes to be important at the time the consolidated financial statements are prepared. On a regular basis, we review our accounting policies and how they are applied and disclosed in our consolidated financial statements. While we believe the historical experience, current trends and other factors considered, support the preparation of our consolidated financial statements in conformity with generally accepted accounting principles, actual results could differ from our estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1 to our consolidated financial statements. We believe the following accounting policies include a higher degree of judgment and/or complexity and, thus, are considered to be critical accounting policies. We have discussed the development and selection of our critical accounting policies with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our disclosures relating to them.

Revenue Recognition

Pharmacy Services Segment

Our Pharmacy Services Segment sells prescription drugs directly through our mail service dispensing pharmacies and indirectly through our retail pharmacy network. We recognize revenues in our Pharmacy Services Segment from prescription drugs sold by our mail service dispensing pharmacies and under retail pharmacy network contracts where we are the principal using the gross method at the contract prices negotiated with our clients. Net revenue from our Pharmacy Services Segment includes: (i) the portion of the price the client pays directly to us, net of any volume-related or other discounts paid back to the client, (ii) the price paid to us ("Mail Co-Payments") or a third party pharmacy in our retail pharmacy network ("Retail Co-Payments") by individuals included in our clients' benefit plans, and (iii) administrative fees for retail pharmacy network contracts where we are not the principal. Sales taxes are not included in revenue.

We recognize revenue in the Pharmacy Services Segment when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the Pharmacy Services Segment.

- Revenues generated from prescription drugs sold by mail service dispensing pharmacies are recognized when the prescription is delivered. At the time of delivery, the Pharmacy Services Segment has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.
- Revenues generated from prescription drugs sold by third party pharmacies in the Pharmacy Services Segment's retail pharmacy network and associated administrative fees are recognized at the Pharmacy Services Segment's point-of-sale, which is when the claim is adjudicated by the Pharmacy Services Segment's online claims processing system.

We determine whether we are the principal or agent for our retail pharmacy network transactions on a contract by contract basis. In the majority of our contracts, we have determined we are the principal due to us: (i) being the primary obligor in the

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arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications, and (v) having credit risk. Our obligations under our client contracts for which revenues are reported using the gross method are separate and distinct from our obligations to the third party pharmacies included in our retail pharmacy network contracts. Pursuant to these contracts, we are contractually required to pay the third party pharmacies in our retail pharmacy network for products sold, regardless of whether we are paid by our clients. Our responsibilities under these client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the physician prior to dispensing, suggesting clinically appropriate generic alternatives where appropriate and approving the prescription for dispensing. Although we do not have credit risk with respect to Retail Co-Payments, we believe that all of the other indicators of gross revenue reporting are present. For contracts under which we act as an agent, we record revenues using the net method.

We deduct from our revenues the manufacturers' rebates that are earned by our clients based on their members' utilization of brand-name formulary drugs. We estimate these rebates at period-end based on actual and estimated claims data and our estimates of the manufacturers' rebates earned by our clients. We base our estimates on the best available data at period-end and recent history for the various factors that can affect the amount of rebates due to the client. We adjust our rebates payable to clients to the actual amounts paid when these rebates are paid or as significant events occur. We record any cumulative effect of these adjustments against revenues as identified, and adjust our estimates prospectively to consider recurring matters. Adjustments generally result from contract changes with our clients or manufacturers, differences between the estimated and actual product mix subject to rebates or whether the product was included in the applicable formulary. We also deduct from our revenues pricing guarantees and guarantees regarding the level of service we will provide to the client or member as well as other payments made to our clients. Because the inputs to most of these estimates are not subject to a high degree of subjectivity or volatility, the effect of adjustments between estimated and actual amounts have not been material to our results of operations or financial position.

We participate in the Federal Government's Medicare Part D program as a PDP through our SilverScript Insurance Company subsidiary. Our net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with CMS. The insurance premiums include a beneficiary premium, which is the responsibility of the PDP member, but is subsidized by CMS in the case of low-income members, and a direct premium paid by CMS. Premiums collected in advance are initially deferred as accrued expenses and are then recognized ratably as revenue over the period in which members are entitled to receive benefits.

In addition to these premiums, our net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and we are paid an estimated prospective Member Co-Payment subsidy, each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in our net revenues. We assume no risk for these amounts, which represented 7.0%, 7.7% and 3.1% of consolidated net revenues in 2013, 2012 and 2011, respectively. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses. We account for fully insured CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross method consistent with our revenue recognition policies for Mail Co-Payments and Retail Co-Payments. We have recorded estimates of various assets and liabilities arising from our participation in the Medicare Part D program based on information in our claims management and enrollment systems. Significant estimates arising from our participation in the Medicare Part D program include: (i) estimates of low-income cost subsidy and reinsurance amounts ultimately payable to or receivable from CMS based on a detailed claims reconciliation, (ii) an estimate of amounts payable to CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported. Actual amounts of Medicare Part D-related assets and liabilities could differ significantly from amounts recorded. Historically, the effect of these adjustments has not been material to our results of operations or financial position.

Retail Pharmacy Segment

Our Retail Pharmacy Segment recognizes revenue from the sale of merchandise (other than prescription drugs) at the time the merchandise is purchased by the retail customer. Prior to the fourth quarter of 2013, revenue from the sale of prescription drugs was recognized at the time the prescription was filled as opposed to upon delivery as required under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 605, *Revenue Recognition*. For substantially all prescriptions, the fill date and the delivery date occur in the same reporting period. The effect on both revenue and income of recording prescription drug sales upon fill as opposed to delivery is immaterial. During the fourth quarter of 2013, the Company began

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recognizing revenue from the sale of prescription drugs when the prescription is picked up by the customer. See Note 1 to our consolidated financial statements for the impact of this change.

Customer returns are not material. Revenue generated from the performance of services in our health care clinics is recognized at the time the services are performed. Sales taxes are not included in revenue.

Vendor Allowances and Purchase Discounts

Pharmacy Services Segment

Our Pharmacy Services Segment receives purchase discounts on products purchased. Contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the Pharmacy Services Segment to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the results of operations. We account for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The Pharmacy Services Segment also receives additional discounts under its wholesaler contracts if it exceeds contractually defined annual purchase volumes. In addition, the Pharmacy Services Segment receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of "Cost of revenues".

Retail Pharmacy Segment

Vendor allowances received by the Retail Pharmacy Segment reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract.

We have not made any material changes in the way we account for vendor allowances and purchase discounts during the past three years.

Inventory

Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment. Prior to 2012, the Company valued prescription drug inventories at the lower of cost or market on a first-in, first-out ("FIFO") basis in retail pharmacies using the retail inventory method and in distribution centers using the FIFO cost method. Effective January 1, 2012, all prescription drug inventories in the Retail Pharmacy Segment have been valued at the lower of cost or market using the weighted average cost method. These changes affected approximately 51% of consolidated inventories as of January 1, 2012.

These changes were made primarily to bring all of the pharmacy operations of the Company to a common inventory valuation methodology and to provide the Company with better information to manage its retail pharmacy operations. The Company believes the weighted average cost method is preferable to the retail inventory method and the FIFO cost method because it results in greater precision in the determination of cost of revenues and inventories by specific drug product and results in a consistent inventory valuation method for all of the Company's prescription drug inventories as the Pharmacy Services Segment's mail service and specialty pharmacies were already on the weighted average cost method. Most of these mail service and specialty pharmacies in the Pharmacy Services Segment were acquired in the Company's 2007 acquisition of Caremark Rx, Inc.

The Company recorded the cumulative effect of these changes in accounting principle as of January 1, 2012. The Company determined that retrospective application for periods prior to 2012 is impracticable, as the period-specific information

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necessary to value prescription drug inventories in the Retail Pharmacy Segment under the weighted average cost method is unavailable. The Company implemented a new pharmacy cost accounting system to value prescription drug inventory as of January 1, 2012 and calculated the cumulative impact. The effect of these changes in accounting principle as of January 1, 2012 was a decrease in inventories of \$146 million, an increase in current deferred income tax assets of \$57 million and a decrease in retained earnings of \$89 million.

The weighted average cost method continues to be used to determine cost of sales and inventory in our mail service and specialty pharmacies in our Pharmacy Services Segment. Front store inventory in our Retail Pharmacy Segment is stated at the lower of cost or market on a FIFO basis using the retail method of accounting to determine cost of sales and inventory, and the cost method of accounting on a FIFO basis to determine front store inventory in our distribution centers. Under the retail method, inventory is stated at cost, which is determined by applying a cost-to-retail ratio to the ending retail value of our inventory. Since the retail value of our inventory is adjusted on a regular basis to reflect current market conditions, our carrying value should approximate the lower of cost or market. In addition, we reduce the value of our ending inventory for estimated inventory losses that have occurred during the interim period between physical inventory counts. Physical inventory counts are taken on a regular basis in each store and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. The accounting for inventory contains uncertainty since we must use judgment to estimate the inventory losses that have occurred during the interim period between physical inventory counts. When estimating these losses, we consider a number of factors, which include, but are not limited to, historical physical inventory results on a location-by-location basis and current physical inventory loss trends.

Our total reserve for estimated inventory losses covered by this critical accounting policy was \$240 million as of December 31, 2013. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for estimated inventory losses, it is possible that actual results could differ. In order to help you assess the aggregate risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimated inventory losses, which we believe is a reasonably likely change, would increase or decrease our total reserve for estimated inventory losses by about \$24 million as of December 31, 2013.

Although we believe that the estimates discussed above are reasonable and the related calculations conform to generally accepted accounting principles, actual results could differ from our estimates, and such differences could be material.

Goodwill and Intangible Assets

Identifiable intangible assets consist primarily of trademarks, client contracts and relationships, favorable leases and covenants not to compete. These intangible assets arise primarily from the determination of their respective fair market values at the date of acquisition.

Amounts assigned to identifiable intangible assets, and their related useful lives, are derived from established valuation techniques and management estimates. Goodwill represents the excess of amounts paid for acquisitions over the fair value of the net identifiable assets acquired.

We evaluate the recoverability of certain long-lived assets, including intangible assets with finite lives, but excluding goodwill and intangible assets with indefinite lives which are tested for impairment using separate tests, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We group and evaluate these long-lived assets for impairment at the lowest level at which individual cash flows can be identified. When evaluating these long-lived assets for potential impairment, we first compare the carrying amount of the asset group to the asset group's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group's estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group's carrying value that exceeds the asset group's estimated future cash flows (discounted and with interest charges). Our long-lived asset impairment loss calculation contains uncertainty since we must use judgment to estimate each asset group's future sales, profitability and cash flows. When preparing these estimates, we consider historical results and current operating trends and our consolidated sales, profitability and cash flow results and forecasts.

These estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, efforts of third party organizations to reduce their prescription drug costs and/or increased member co-payments, the continued efforts of competitors to gain market share and consumer spending patterns.

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Goodwill and indefinitely-lived intangible assets are subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate that the carrying value may not be recoverable.

Indefinitely-lived intangible assets are tested by comparing the estimated fair value of the asset to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value.

Our indefinitely-lived intangible asset impairment loss calculation contains uncertainty since we must use judgment to estimate the fair value based on the assumption that in lieu of ownership of an intangible asset, the Company would be willing to pay a royalty in order to utilize the benefits of the asset. Value is estimated by discounting the hypothetical royalty payments to their present value over the estimated economic life of the asset. These estimates can be affected by a number of factors including, but not limited to, general economic conditions, availability of market information as well as the profitability of the Company.

Goodwill is tested for impairment on a reporting unit basis using a two-step process. The first step of the impairment test is to identify potential impairment by comparing the reporting unit's fair value with its net book value (or carrying amount), including goodwill. The fair value of our reporting units is estimated using a combination of the discounted cash flow valuation model and comparable market transaction models. If the fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step of the impairment test is not performed. If the carrying amount of the reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess.

The determination of the fair value of our reporting units requires the Company to make significant assumptions and estimates. These assumptions and estimates primarily include, but are not limited to, the selection of appropriate peer group companies; control premiums and valuation multiples appropriate for acquisitions in the industries in which the Company competes; discount rates, terminal growth rates; and forecasts of revenue, operating profit, depreciation and amortization, capital expenditures and future working capital requirements. When determining these assumptions and preparing these estimates, we consider each reporting unit's historical results and current operating trends and our consolidated revenues, profitability and cash flow results and forecasts. Our estimates can be affected by a number of factors including, but not limited to, general economic and regulatory conditions, our market capitalization, efforts of third party organizations to reduce their prescription drug costs and/or increase member co-payments, the continued efforts of competitors to gain market share and consumer spending patterns.

The carrying value of goodwill and other intangible assets covered by this critical accounting policy was \$26.5 billion and \$9.5 billion as of December 31, 2013, respectively. We did not record any impairment losses related to goodwill or other intangible assets during 2013, 2012 or 2011. During the third quarter of 2013, we performed our required annual impairment tests of goodwill and indefinitely-lived trademarks. The results of the impairment tests concluded that there was no impairment of goodwill or trademarks. The goodwill impairment test resulted in the fair value of our Pharmacy Services and Retail Pharmacy reporting units exceeding their carrying values by a significant margin. The carrying value of goodwill as of December 31, 2013, in our Pharmacy Services and Retail Pharmacy reporting units was \$19.6 billion and \$6.9 billion, respectively.

Although we believe we have sufficient current and historical information available to us to test for impairment, it is possible that actual results could differ from the estimates used in our impairment tests.

We have not made any material changes in the methodologies utilized to test the carrying values of goodwill and intangible assets for impairment during the past three years.

Closed Store Lease Liability

We account for closed store lease termination costs when a leased store is closed. When a leased store is closed, we record a liability for the estimated present value of the remaining obligation under the noncancelable lease, which includes future real estate taxes, common area maintenance and other charges, if applicable. The liability is reduced by estimated future sublease income.

The initial calculation and subsequent evaluations of our closed store lease liability contain uncertainty since we must use judgment to estimate the timing and duration of future vacancy periods, the amount and timing of future lump sum settlement payments and the amount and timing of potential future sublease income. When estimating these potential termination costs and their related timing, we consider a number of factors, which include, but are not limited to, historical settlement experience,

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the owner of the property, the location and condition of the property, the terms of the underlying lease, the specific marketplace demand and general economic conditions.

Our total closed store lease liability covered by this critical accounting policy was \$310 million as of December 31, 2013. This amount is net of \$178 million of estimated sublease income that is subject to the uncertainties discussed above. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for sublease income, it is possible that actual results could differ.

In order to help you assess the risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimated sublease income, which we believe is a reasonably likely change, would increase or decrease our total closed store lease liability by about \$18 million as of December 31, 2013.

We have not made any material changes in the reserve methodology used to record closed store lease reserves during the past three years.

Self-Insurance Liabilities

We are self-insured for certain losses related to general liability, workers' compensation and auto liability, although we maintain stop loss coverage with third party insurers to limit our total liability exposure. We are also self-insured for certain losses related to health and medical liabilities.

The estimate of our self-insurance liability contains uncertainty since we must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and unreported claims for incidents incurred but not reported as of the balance sheet date. When estimating our self-insurance liability, we consider a number of factors, which include, but are not limited to, historical claim experience, demographic factors, severity factors and other standard insurance industry actuarial assumptions. On a quarterly basis, we review our self-insurance liability to determine if it is adequate as it relates to our general liability, workers' compensation and auto liability. Similar reviews are conducted semi-annually to determine if our self-insurance liability is adequate for our health and medical liability.

Our total self-insurance liability covered by this critical accounting policy was \$612 million as of December 31, 2013. Although we believe we have sufficient current and historical information available to us to record reasonable estimates for our self-insurance liability, it is possible that actual results could differ. In order to help you assess the risk, if any, associated with the uncertainties discussed above, a ten percent (10%) pre-tax change in our estimate for our self-insurance liability, which we believe is a reasonably likely change, would increase or decrease our self-insurance liability by about \$61 million as of December 31, 2013.

We have not made any material changes in the accounting methodology used to establish our self-insurance liability during the past three years.

New Accounting Pronouncements

In July 2012, the FASB issued Accounting Standards Update ("ASU") 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02"). ASU 2012-02 allows entities to use a qualitative approach to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount and recognize an impairment loss, if any, to the extent the carrying value exceeds its fair value. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of ASU 2012-02 did not have a material effect on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosures include: (1) changes in accumulated other comprehensive income balances by component and (2) significant items reclassified out of accumulated other comprehensive income. The changes in accumulated other comprehensive income balance by component will be disaggregated to separately present reclassification adjustments and current-period other comprehensive income. Significant items reclassified out of accumulated other comprehensive income by component are required to be presented either on the face of the statement of income or as

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separate disclosure in the notes to the financial statements. These additional disclosures may be presented before-tax or net-of-tax as long as the income tax benefit or expense attributed to each component of other comprehensive income and reclassification adjustments is presented in the financial statement or in the notes to the financial statements. ASU 2013-02 is effective for interim and annual periods beginning after December 15, 2012 and should be applied prospectively. The adoption of ASU 2013-02 did not have a material effect on the Company's consolidated financial statements. The expanded disclosures are included in Note 1 to the Consolidated Financial Statements.

Recently Proposed Accounting Standard Update

In May 2013, the FASB issued a revised proposed accounting standard update on lease accounting that will require entities to recognize assets and liabilities arising from lease contracts on the balance sheet. The proposed accounting standard update states that lessees and lessors should apply a "right-of-use model" in accounting for all leases. Under the proposed model, lessees would recognize an asset for the right to use the leased asset, and a liability for the obligation to make rental payments over the lease term. The lease term is defined as the noncancelable term that takes into account renewal options and termination options if there is a significant economic incentive for an entity to exercise or not exercise the option. The accounting by a lessor would reflect its retained exposure to the risks or benefits of the underlying leased asset. A lessor would recognize an asset representing its right to receive lease payments based on the expected term of the lease. The Company cannot presently determine the potential impact the proposed standard would have on its results of operations. While the Company believes that the proposed standard, as currently drafted, will likely have a material impact on its financial position, it will not have a material impact on its liquidity; however, until the proposed standard is finalized, such evaluation cannot be completed.

Cautionary Statement Concerning Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of CVS Caremark Corporation. The Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company's filings with the SEC and in its reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "project," "anticipate," "will," "should" and similar expressions identify statements that constitute forward-looking statements. All statements addressing operating performance of CVS Caremark Corporation or any subsidiary, events or developments that the Company expects or anticipates will occur in the future, including statements relating to corporate strategy; revenue growth; earnings or earnings per common share growth; adjusted earnings or adjusted earnings per common share growth; free cash flow; debt ratings; inventory levels; inventory turn and loss rates; store development; relocations and new market entries; retail pharmacy business, sales trends and operations; PBM business, sales trends and operations; the Company's ability to attract or retain customers and clients; Medicare Part D competitive bidding, enrollment and operations; new product development; and the impact of industry developments, as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the Reform Act.

The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including, but not limited to:

- Risks relating to the health of the economy in general and in the markets we serve, which could impact consumer purchasing power, preferences and/or spending patterns, drug utilization trends, the financial health of our PBM clients or other payors doing business with the Company and our ability to secure necessary financing, suitable store locations and sale-leaseback transactions on acceptable terms.

- Efforts to reduce reimbursement levels and alter health care financing practices, including pressure to reduce reimbursement levels for generic drugs.
- The possibility of PBM client loss and/or the failure to win new PBM business, including as a result of failure to win renewal of expiring contracts, contract termination rights that may permit clients to terminate a contract prior to expiration and early or periodic renegotiation of pricing by clients prior to expiration of a contract.
- The possibility of loss of Medicare Part D business and/or failure to obtain new Medicare Part D business, whether as a result of the annual Medicare Part D competitive bidding process or otherwise.
- Risks related to the frequency and rate of the introduction of generic drugs and brand name prescription products.
- Risks of declining gross margins in the PBM industry attributable to increased competitive pressures, increased client demand for lower prices, enhanced service offerings and/or higher service levels and market dynamics and regulatory changes that impact our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread."
- Regulatory changes, business changes and compliance requirements and restrictions that may be imposed by Centers for Medicare and Medicaid Services ("CMS"), Office of Inspector General or other government agencies relating to CVS Caremark's participation in Medicare, Medicaid and other federal and state government-funded programs, including sanctions and remedial actions that may be imposed by CMS on its Medicare Part D business.
- Risks and uncertainties related to the timing and scope of reimbursement from Medicare, Medicaid and other government-funded programs, including the impact of sequestration, the impact of other federal budget, debt and deficit negotiations and legislation that could delay or reduce reimbursement from such programs and the impact of any closure, suspension or other changes affecting federal or state government funding or operations.
- Possible changes in industry pricing benchmarks used to establish pricing in many of our PBM client contracts, pharmaceutical purchasing arrangements, retail network contracts, specialty payor agreements and other third party payor contracts.
- An extremely competitive business environment, including the uncertain impact of increased consolidation in the PBM industry, uncertainty concerning the ability of our retail pharmacy business to secure and maintain contractual relationships with PBMs and other payors on acceptable terms, uncertainty concerning the ability of our PBM business to secure and maintain competitive access, pricing and other contract terms from retail network pharmacies in an environment where some PBM clients are willing to consider adopting narrow or more restricted retail pharmacy networks.
- The Company's ability to fully integrate and to realize the planned benefits associated with the acquisition of Coram LLC in accordance with the expected timing.
- Risks relating to our ability to secure timely and sufficient access to the products we sell from our domestic and/or international suppliers.
- Reform of the U.S. health care system, including ongoing implementation of the Patient Protection and Affordable Care Act, continuing legislative efforts, regulatory changes and judicial interpretations impacting our health care system and the possibility of shifting political and legislative priorities related to reform of the health care system in the future.
- Risks relating to our failure to properly maintain our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.
- Risks related to compliance with a broad and complex regulatory framework, including compliance with new and existing federal, state and local laws and regulations relating to health care, accounting standards, corporate securities, tax, environmental and other laws and regulations affecting our business.
- Risks related to litigation, government investigations and other legal proceedings as they relate to our business, the pharmacy services, retail pharmacy or retail clinic industries or to the health care industry generally.
- Other risks and uncertainties detailed from time to time in our filings with the SEC.

The foregoing list is not exhaustive. There can be no assurance that the Company has correctly identified and appropriately assessed all factors affecting its business. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial also may adversely impact the Company. Should any risks and uncertainties develop into actual events, these developments could have a material adverse effect on the Company's business, financial condition and results of operations. For these reasons, you are cautioned not to place undue reliance on the Company's forward-looking statements.

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Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Our Company's internal control over financial reporting includes those policies and procedures that pertain to the Company's ability to record, process, summarize and report a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that the unauthorized acquisition, use or disposition of assets are prevented or timely detected and that transactions are authorized, recorded and reported properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) and receipt and expenditures are duly authorized. In order to ensure the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2013.

We conducted an assessment of the effectiveness of our internal controls over financial reporting based on the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). This evaluation included review of the documentation, evaluation of the design effectiveness and testing of the operating effectiveness of controls. Our system of internal control over financial reporting is enhanced by periodic reviews by our internal auditors, written policies and procedures and a written Code of Conduct adopted by our Company's Board of Directors, applicable to all employees of our Company. In addition, we have an internal Disclosure Committee, comprised of management from each functional area within the Company, which performs a separate review of our disclosure controls and procedures. There are inherent limitations in the effectiveness of any system of internal controls over financial reporting.

Based on our assessment, we conclude our Company's internal control over financial reporting is effective and provides reasonable assurance that assets are safeguarded and that the financial records are reliable for preparing financial statements as of December 31, 2013.

Ernst & Young LLP, independent registered public accounting firm, is appointed by the Board of Directors and ratified by our Company's shareholders. They were engaged to render an opinion regarding the fair presentation of our consolidated financial statements as well as conducting an audit of internal control over financial reporting. Their accompanying reports are based upon an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

February 10, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of CVS Caremark Corporation

We have audited CVS Caremark Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). CVS Caremark Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on CVS Caremark Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CVS Caremark Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CVS Caremark Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013 of CVS Caremark Corporation and our report dated February 10, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

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Boston, Massachusetts
February 10, 2014

Consolidated

Statements of Income

| | Year Ended December 31, | | |
|--|-------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| <u>In millions, except per share amounts</u> | | | |
| Net revenues | \$ 126,761 | \$ 123,120 | \$ 107,080 |
| Cost of revenues | 102,978 | 100,632 | 86,518 |
| Gross profit | 23,783 | 22,488 | 20,562 |
| Operating expenses | 15,746 | 15,278 | 14,231 |
| Operating profit | 8,037 | 7,210 | 6,331 |
| Interest expense, net | 509 | 557 | 584 |
| Loss on early extinguishment of debt | — | 348 | — |
| Income before income tax provision | 7,528 | 6,305 | 5,747 |
| Income tax provision | 2,928 | 2,436 | 2,258 |
| Income from continuing operations | 4,600 | 3,869 | 3,489 |
| Loss from discontinued operations, net of tax | (8) | (7) | (31) |
| Net income | 4,592 | 3,862 | 3,458 |
| Net loss attributable to noncontrolling interest | — | 2 | 4 |
| Net income attributable to CVS Caremark | \$ 4,592 | \$ 3,864 | \$ 3,462 |
| Basic earnings per common share: | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.78 | \$ 3.05 | \$ 2.61 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Net income attributable to CVS Caremark | \$ 3.77 | \$ 3.04 | \$ 2.59 |
| Weighted average common shares outstanding | 1,217 | 1,271 | 1,338 |
| Diluted earnings per common share: | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.75 | \$ 3.02 | \$ 2.59 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Net income attributable to CVS Caremark | \$ 3.74 | \$ 3.02 | \$ 2.57 |
| Weighted average common shares outstanding | 1,226 | 1,280 | 1,347 |
| Dividends declared per common share | \$ 0.90 | \$ 0.65 | \$ 0.50 |

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income

| | Year Ended December 31, | | |
|--|-------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| <u>In millions</u> | | | |
| Net income | \$ 4,592 | \$ 3,862 | \$ 3,458 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments, net of tax | (30) | — | — |
| Net cash flow hedges, net of income tax | 3 | 3 | (9) |
| Pension and other postretirement benefits, net of income tax | 59 | (12) | (20) |
| Total other comprehensive income (loss) | 32 | (9) | (29) |
| Comprehensive income | 4,624 | 3,853 | 3,429 |
| Comprehensive loss attributable to noncontrolling interest | — | 2 | 4 |
| Comprehensive income attributable to CVS Caremark | \$ 4,624 | \$ 3,855 | \$ 3,433 |

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

In millions, except per share amounts

Assets:

| |
|-----------------------------|
| Cash and cash equivalents |
| Short-term investments |
| Accounts receivable, net |
| Inventories |
| Deferred income taxes |
| Other current assets |
| Total current assets |
| Property and equipment, net |
| Goodwill |
| Intangible assets, net |
| Other assets |
| Total assets |

Liabilities:

| |
|---|
| Accounts payable |
| Claims and discounts payable |
| Accrued expenses |
| Short-term debt |
| Current portion of long-term debt |
| Total current liabilities |
| Long-term debt |
| Deferred income taxes |
| Other long-term liabilities |
| Commitments and contingencies (Note 12) |

Shareholders' equity:

| |
|--|
| Preferred stock, par value \$0.01: 0.1 shares authorized; none issued or outstanding |
| Common stock, par value \$0.01: 3,200 shares authorized; 1,680 shares issued and 1,180 shares outstanding at December 31, 2013 and 1,667 shares issued and 1,231 shares outstanding at December 31, 2012 |
| Treasury stock, at cost: 500 shares at December 31, 2013 and 435 shares at December 31, 2012 |
| Shares held in trust: 1 share at December 31, 2013 and 2012 |
| Capital surplus |
| Retained earnings |
| Accumulated other comprehensive loss |
| Total shareholders' equity |
| Total liabilities and shareholders' equity |

| December 31, | | | |
|--------------|----------|------|----------|
| 2013 | | 2012 | |
| \$ | 4,089 | \$ | 1,375 |
| | 88 | | 5 |
| | 8,729 | | 6,479 |
| | 11,045 | | 11,032 |
| | 902 | | 693 |
| | 472 | | 577 |
| | 25,325 | | 20,161 |
| | 8,615 | | 8,632 |
| | 26,542 | | 26,395 |
| | 9,529 | | 9,753 |
| | 1,515 | | 1,280 |
| \$ | 71,526 | \$ | 66,221 |
| \$ | 5,548 | \$ | 5,070 |
| | 4,548 | | 3,974 |
| | 4,768 | | 4,411 |
| | — | | 690 |
| | 561 | | 5 |
| | 15,425 | | 14,150 |
| | 12,841 | | 9,133 |
| | 3,901 | | 3,784 |
| | 1,421 | | 1,501 |
| | — | | — |
| | — | | — |
| | 17 | | 17 |
| | (20,169) | | (16,270) |
| | (31) | | (31) |
| | 29,777 | | 29,120 |
| | 28,493 | | 24,998 |
| | (149) | | (181) |
| | 37,938 | | 37,653 |
| \$ | 71,526 | \$ | 66,221 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

| In millions | December 31, | | |
|--|--------------|------------|-----------|
| | 2013 | 2012 | 2011 |
| Cash flows from operating activities: | | | |
| Cash receipts from customers | \$ 114,993 | \$ 113,205 | \$ 97,688 |
| Cash paid for inventory and prescriptions dispensed by retail network pharmacies | (91,178) | (90,032) | (75,148) |
| Cash paid to other suppliers and employees | (14,295) | (13,643) | (13,635) |
| Interest received | 8 | 4 | 4 |
| Interest paid | (524) | (581) | (647) |
| Income taxes paid | (3,211) | (2,282) | (2,406) |
| Net cash provided by operating activities | 5,783 | 6,671 | 5,856 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (1,984) | (2,030) | (1,872) |
| Proceeds from sale-leaseback transactions | 600 | 529 | 592 |
| Proceeds from sale of property and equipment and other assets | 54 | 23 | 4 |
| Acquisitions (net of cash acquired) and other investments | (415) | (378) | (1,441) |
| Purchase of available-for-sale investments | (226) | — | (3) |
| Maturity of available-for-sale investments | 136 | — | 60 |
| Proceeds from sale of subsidiary | — | 7 | 250 |
| Net cash used in investing activities | (1,835) | (1,849) | (2,410) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term debt | (690) | (60) | 450 |
| Proceeds from issuance of long-term debt | 3,964 | 1,239 | 1,463 |
| Repayments of long-term debt | — | (1,718) | (2,122) |
| Purchase of noncontrolling interest in subsidiary | — | (26) | — |
| Dividends paid | (1,097) | (829) | (674) |
| Derivative settlements | — | — | (19) |
| Proceeds from exercise of stock options | 500 | 836 | 431 |
| Excess tax benefits from stock-based compensation | 62 | 28 | 21 |
| Repurchase of common stock | (3,976) | (4,330) | (3,001) |
| Other | — | — | (9) |
| Net cash used in financing activities | (1,237) | (4,860) | (3,460) |
| Effect of exchange rate changes on cash and cash equivalents | 3 | — | — |
| Net increase (decrease) in cash and cash equivalents | 2,714 | (38) | (14) |
| Cash and cash equivalents at the beginning of the year | 1,375 | 1,413 | 1,427 |
| Cash and cash equivalents at the end of the year | \$ 4,089 | \$ 1,375 | \$ 1,413 |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Net income | \$ 4,592 | \$ 3,862 | \$ 3,458 |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,870 | 1,753 | 1,568 |
| Stock-based compensation | 141 | 132 | 135 |
| Loss on early extinguishment of debt | — | 348 | — |
| Gain on sale of subsidiary | — | — | (53) |
| Deferred income taxes and other noncash items | (86) | (111) | 144 |
| Change in operating assets and liabilities, net of effects from acquisitions: | | | |
| Accounts receivable, net | (2,210) | (387) | (748) |
| Inventories | 12 | (853) | 586 |
| Other current assets | 105 | 3 | (420) |
| Other assets | (135) | (99) | (49) |
| Accounts payable and claims and discounts payable | 1,024 | 1,147 | 1,128 |
| Accrued expenses | 471 | 766 | 105 |
| Other long-term liabilities | (1) | 110 | 2 |
| Net cash provided by operating activities | \$ 5,783 | \$ 6,671 | \$ 5,856 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

| In millions | Shares | | | Dollars | | |
|--|-------------------------|-------|-------|-------------------------|-------------|-------------|
| | Year Ended December 31, | | | Year Ended December 31, | | |
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Common stock: | | | | | | |
| Beginning of year | 1,667 | 1,640 | 1,624 | \$ 17 | \$ 16 | \$ 16 |
| Stock options exercised and issuance of stock awards | 13 | 27 | 16 | — | 1 | — |
| End of year | 1,680 | 1,667 | 1,640 | \$ 17 | \$ 17 | \$ 16 |
| Treasury stock: | | | | | | |
| Beginning of year | (435) | (340) | (259) | \$ (16,270) | \$ (11,953) | \$ (9,030) |
| Purchase of treasury shares | (66) | (95) | (84) | (3,976) | (4,330) | (3,001) |
| Employee stock purchase plan issuances | 1 | 1 | 3 | 77 | 47 | 78 |
| Transfer of shares from shares held in trust | — | (1) | — | — | (34) | — |
| End of year | (500) | (435) | (340) | \$ (20,169) | \$ (16,270) | \$ (11,953) |
| Shares held in trust: | | | | | | |

| | (1) | (2) | (2) | \$ | (31) | \$ | (56) | \$ | (56) |
|--|-----|-----|-----|----|---------|----|--------|----|--------|
| Beginning of year | — | 1 | — | — | — | 25 | — | — | — |
| Transfer of shares to treasury stock | — | — | — | — | — | — | — | — | — |
| End of year | (1) | (1) | (2) | \$ | (31) | \$ | (31) | \$ | (56) |
| Capital surplus: | | | | | | | | | |
| Beginning of year | | | | \$ | 29,120 | \$ | 28,126 | \$ | 27,610 |
| Stock option activity and stock awards | | | | | 588 | | 955 | | 495 |
| Tax benefit on stock options and stock awards | | | | | 69 | | 28 | | 21 |
| Transfer of shares held in trust to treasury stock | | | | | — | | 9 | | — |
| Purchase of noncontrolling interest in subsidiary | | | | | — | | 2 | | — |
| End of year | | | | \$ | 29,777 | \$ | 29,120 | \$ | 28,126 |
| Retained earnings: | | | | | | | | | |
| Beginning of year | | | | \$ | 24,998 | \$ | 22,052 | \$ | 19,303 |
| Adjustment to opening balance ⁽¹⁾ | | | | | — | | — | | (39) |
| Beginning of year, as adjusted | | | | | 24,998 | | 22,052 | | 19,264 |
| Changes in inventory accounting principles (Note 2) | | | | | — | | (89) | | — |
| Net income attributable to CVS Caremark | | | | | 4,592 | | 3,864 | | 3,462 |
| Common stock dividends | | | | | (1,097) | | (829) | | (674) |
| End of year | | | | \$ | 28,493 | \$ | 24,998 | \$ | 22,052 |
| Accumulated other comprehensive loss: | | | | | | | | | |
| Beginning of year | | | | \$ | (181) | \$ | (172) | \$ | (143) |
| Foreign currency translation adjustments, net of income tax | | | | | (30) | | — | | — |
| Net cash flow hedges, net of income tax | | | | | 3 | | 3 | | (9) |
| Pension and other postretirement benefits, net of income tax | | | | | 59 | | (12) | | (20) |
| End of year | | | | \$ | (149) | \$ | (181) | \$ | (172) |
| Total shareholders' equity | | | | \$ | 37,938 | \$ | 37,653 | \$ | 38,013 |

(1) See Note 1 - Significant Accounting Policies (Revenue Recognition - Retail Pharmacy Segment).

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

1 Significant Accounting Policies

Description of business - CVS Caremark Corporation and its subsidiaries (the "Company") is the largest integrated pharmacy health care provider in the United States based upon revenues and prescriptions filled. The Company currently has three reportable business segments, Pharmacy Services, Retail Pharmacy and Corporate, which are described below.

Pharmacy Services Segment (the "PSS") - The PSS provides a full range of pharmacy benefit management services including mail order pharmacy services, specialty pharmacy services, plan design and administration, formulary management and claims processing. The Company's clients are primarily employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans and individuals throughout the United States.

As a pharmacy benefits manager, the PSS manages the dispensing of pharmaceuticals through the Company's mail order pharmacies and national network of nearly 68,000 retail pharmacies, consisting of approximately 41,000 chain pharmacies and 27,000 independent pharmacies, to eligible members in the benefits plans maintained by the Company's clients and utilizes its information systems to perform, among other things, safety checks, drug interaction screenings and brand to generic substitutions.

The PSS' specialty pharmacies support individuals that require complex and expensive drug therapies. The specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark[®] and CarePlus CVS/pharmacy[®] names.

The PSS also provides health management programs, which include integrated disease management for 17 conditions, through the Company's Accordant[®] rare disease management offering.

In addition, through the Company's SilverScript Insurance Company ("SilverScript") subsidiary, the PSS is a national provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program.

The PSS generates net revenues primarily by contracting with clients to provide prescription drugs to plan members. Prescription drugs are dispensed by the mail order pharmacies, specialty pharmacies and national network of retail pharmacies. Net revenues are also generated by providing additional services to clients, including administrative services such as claims processing and formulary management, as well as health care related services such as disease management.

The pharmacy services business operates under the CVS Caremark[®] Pharmacy Services, Caremark[®], CVS Caremark[®], CarePlus CVS/pharmacy[®], RxAmerica[®], Accordant[®], SilverScript[®] and Novologix[®] names. As of December 31, 2013, the PSS operated 25 retail specialty pharmacy stores, 11 specialty mail order pharmacies and four mail service dispensing pharmacies located in 22 states, Puerto Rico and the District of Columbia.

Retail Pharmacy Segment (the "RPS") - The RPS sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards and convenience foods, through the Company's CVS/pharmacy[®], Longs Drugs[®] and Drogaria Onofre[®] retail stores and online through CVS.com[®] and Onofre.com.br.

The RPS also provides health care services through its MinuteClinic[®] health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations.

As of December 31, 2013, the retail pharmacy business included 7,660 retail drugstores (of which 7,603 operated a pharmacy) located in 43 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS/pharmacy and Drogaria Onofre[®] names, the online retail websites, CVS.com and Onofre.com.br, and 800 retail health care clinics operating under the MinuteClinic[®] name (of which 792 were located in CVS/pharmacy stores).

Corporate Segment - The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of the Company's executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All intercompany balances and transactions have been eliminated.

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Notes to Consolidated Financial Statements (continued)

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair value hierarchy - The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- **Level 2** - Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- **Level 3** - Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Cash and cash equivalents - Cash and cash equivalents consist of cash and temporary investments with maturities of three months or less when purchased. The Company invests in short-term money market funds, commercial paper and time deposits, as well as other debt securities that are classified as cash equivalents within the accompanying consolidated balance sheets, as these funds are highly liquid and readily convertible to known amounts of cash. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Short-term investments - The Company's short-term investments consist of certificate of deposits with initial maturities of greater than three months when purchased. These investments, which were classified as available-for-sale within Level 1 of the fair value hierarchy, were carried at fair value, which approximated historical cost at December 31, 2013 and 2012.

Fair value of financial instruments - As of December 31, 2013, the Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and short-term debt. Due to the short-term nature of these instruments, the Company's carrying value approximates fair value. The carrying amount and estimated fair value of total long-term debt was \$13.4 billion and \$14.2 billion, respectively, as of December 31, 2013. The fair value of the Company's long-term debt was estimated based on quoted rates currently offered in active markets for the Company's debt, which is considered Level 1 of the fair value hierarchy. The Company had outstanding letters of credit, which guaranteed foreign trade purchases, with a fair value of \$3.6 million as of December 31, 2013. There were no outstanding derivative financial instruments as of December 31, 2013 and 2012.

Foreign currency translation and transactions - For local currency functional locations, assets and liabilities are translated at end-of-period rates while revenues and expenses are translated at average rates in effect during the period. Equity is translated at historical rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income/(loss).

For U.S. dollar functional currency locations, foreign currency assets and liabilities are remeasured into U.S. dollars at end-of-period exchange rates, except for non-monetary balance sheet accounts, which are remeasured at historical exchange rates. Revenue and expense are remeasured at average exchange rates in effect during each period, except for those expenses related to the nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in income.

Gains and losses arising from foreign currency transactions and the effects of remeasurements were not material for all period presented.

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. The accounts receivable balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), clients and members, as well as vendors and manufacturers. Charges to bad debt are based on both historical write-offs and specifically identified receivables.

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Notes to Consolidated Financial Statements (continued)

The activity in the allowance for doubtful accounts receivable for the years ended December 31 is as follows:

| <i>In millions</i> | 2013 | 2012 | 2011 |
|---------------------------------------|--------|--------|--------|
| Beginning balance | \$ 243 | \$ 189 | \$ 182 |
| Additions charged to bad debt expense | 195 | 149 | 129 |
| Write-offs charged to allowance | (182) | (95) | (122) |
| Ending balance | \$ 256 | \$ 243 | \$ 189 |

Inventories - Prior to 2012, inventories were stated at the lower of cost or market on a first-in, first-out basis using the retail inventory method in the retail pharmacy stores, the weighted average cost method in the mail service and specialty pharmacies, and the cost method on a first-in, first-out basis in the distribution centers. Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the RPS to the weighted average cost method. See Note 2 for additional information regarding the accounting change. Physical inventory counts are taken on a regular basis in each store and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand in each distribution center and mail facility to ensure that the amounts reflected in the accompanying consolidated financial statements are properly stated. During the interim period between physical inventory counts, the Company accrues for anticipated physical inventory losses on a location-by-location basis based on historical results and current trends.

Property and equipment - Property, equipment and improvements to leased premises are depreciated using the straight-line method over the estimated useful lives of the assets, or when applicable, the term of the lease, whichever is shorter. Estimated useful lives generally range from 10 to 40 years for buildings, building improvements and leasehold improvements and 3 to 10 years for fixtures, equipment and internally developed software. Repair and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated. Application development stage costs for significant internally developed software projects are capitalized and depreciated.

The following are the components of property and equipment at December 31:

| <i>In millions</i> | 2013 | 2012 |
|---|----------|----------|
| Land | \$ 1,460 | \$ 1,429 |
| Building and improvements | 2,694 | 2,614 |
| Fixtures and equipment | 8,419 | 7,928 |
| Leasehold improvements | 3,320 | 3,105 |
| Software | 1,515 | 1,230 |
| | 17,408 | 16,306 |
| Accumulated depreciation and amortization | (8,793) | (7,674) |
| Property and equipment, net | \$ 8,615 | \$ 8,632 |

The gross amount of property and equipment under capital leases was \$260 million and \$219 million as of December 31, 2013 and 2012, respectively. Accumulated amortization of property and equipment under capital lease was \$74 million and \$64 million as of December 31, 2013 and 2012, respectively. Amortization of property and equipment under capital lease is included within depreciation expense. Depreciation expense totaled \$1.4 billion, \$1.3 billion and \$1.1 billion in 2013, 2012 and 2011, respectively.

Goodwill and other indefinitely-lived assets - Goodwill and other indefinitely-lived assets are not amortized, but are subject to impairment reviews annually, or more frequently if necessary. See Note 4 for additional information on goodwill and other indefinitely-lived assets.

Intangible assets - Purchased customer contracts and relationships are amortized on a straight-line basis over their estimated useful lives between 10 and 20 years. Purchased customer lists are amortized on a straight-line basis over their estimated useful lives of up to 10 years. Purchased leases are amortized on a straight-line basis over the remaining life of the lease. See Note 4 for additional information about intangible assets.

Impairment of long-lived assets - The Company groups and evaluates fixed and finite-lived intangible assets for impairment at the lowest level at which individual cash flows can be identified, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If indicators of impairment are present, the Company first compares the carrying amount of the asset group to the estimated future cash flows associated with the asset group (undiscounted and without

Notes to Consolidated Financial Statements (continued)

interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset group, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset group to the asset group's estimated future cash flows (discounted and with interest charges). If required, an impairment loss is recorded for the portion of the asset group's carrying value that exceeds the asset group's estimated future cash flows (discounted and with interest charges).

Redeemable noncontrolling interest — Through June 29, 2012, the Company had an approximately 60% ownership interest in Generation Health, Inc. ("Generation Health") and consolidated Generation Health in its consolidated financial statements. The nonemployee noncontrolling shareholders of Generation Health held put rights for the remaining interest in Generation Health that if exercised would require the Company to purchase the remaining interest in Generation Health in 2015 for a minimum of \$26 million and a maximum of \$159 million, depending on certain financial metrics of Generation Health in 2014. Since the noncontrolling shareholders of Generation Health had a redemption feature as a result of the put rights, the Company had classified the redeemable noncontrolling interest in Generation Health in the mezzanine section of the consolidated balance sheet outside of shareholders' equity. On June 29, 2012, the Company acquired the remaining 40% interest in Generation Health from minority shareholders and employee option holders for \$26 million and \$5 million, respectively, for a total of \$31 million.

The following is a reconciliation of the changes in the redeemable noncontrolling interest for the years ended December 31, 2012 and 2011:

| <i>In millions</i> | 2012 | 2011 | |
|--|-------|-------|---|
| Beginning balance | \$ 30 | \$ 34 | Revenue Recognition |
| Net loss attributable to noncontrolling interest | (2) | (4) | (4) Pharmacy Services Segment - The |
| Purchase of noncontrolling interest | (26) | — | PSS sells prescription drugs directly |
| Reclassification to capital surplus in connection with purchase of noncontrolling interest | (2) | — | through its mail service dispensing |
| Ending balance | \$ — | \$ 30 | pharmacies and indirectly through its retail pharmacy network. The PSS recognizes revenue from prescription |

drugs sold by its mail service dispensing pharmacies and under retail pharmacy network contracts where it is the principal using the gross method at the contract prices negotiated with its clients. Net revenues include: (i) the portion of the price the client pays directly to the PSS, net of any volume-related or other discounts paid back to the client (see "Drug Discounts" below), (ii) the price paid to the PSS by client plan members for mail order prescriptions ("Mail Co-Payments") and the price paid to retail network pharmacies by client plan members for retail prescriptions ("Retail Co-Payments"), and (iii) administrative fees for retail pharmacy network contracts where the PSS is not the principal as discussed below. Sales taxes are not included in revenue.

Revenue is recognized when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the PSS:

The PSS determines whether it is the principal or agent for its retail pharmacy network transactions on a contract by contract basis. In the majority of its contracts, the PSS has determined it is the principal due to it: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications, and (v) having credit risk. The PSS's obligations under its client contracts for which revenues are reported using the gross method are separate and distinct from its obligations to the third party pharmacies included in its retail pharmacy network contracts.

Notes to Consolidated Financial Statements (continued)

Pursuant to these contracts, the PSS is contractually required to pay the third party pharmacies in its retail pharmacy network for products sold, regardless of whether the PSS is paid by its clients. The PSS's responsibilities under its client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the prescriber prior to dispensing, suggesting generic alternatives where clinically appropriate and approving the prescription for dispensing. Although the PSS does not have credit risk with respect to Retail Co-Payments, management believes that all of the other applicable indicators of gross revenue reporting are present. For contracts under which the PSS acts as an agent, revenue is recognized using the net method.

Drug Discounts - The PSS deducts from its revenues any rebates, inclusive of discounts and fees, earned by its clients. Rebates are paid to clients in accordance with the terms of client contracts, which are normally based on fixed rebates per prescription for specific products dispensed or a percentage of manufacturer discounts received for specific products dispensed. The liability for rebates due to clients is included in "Claims and discounts payable" in the accompanying consolidated balance sheets.

Medicare Part D - The PSS, through its SilverScript Insurance Company subsidiary, participates in the Federal Government's Medicare Part D program as a Prescription Drug Plan ("PDP"). Net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services ("CMS"). The insurance premiums include a direct premium paid by CMS and a beneficiary premium, which is the responsibility of the PDP member, but is subsidized by CMS in the case of low-income members. Premiums collected in advance are initially deferred in accrued expenses and are then recognized in net revenues over the period in which members are entitled to receive benefits.

In addition to these premiums, net revenues include co-payments, coverage gap benefits, deductibles and co-insurance (collectively, the "Member Co-Payments") related to PDP members' actual prescription claims. In certain cases, CMS subsidizes a portion of these Member Co-Payments and pays the PSS an estimated prospective Member Co-Payment subsidy amount each month. The prospective Member Co-Payment subsidy amounts received from CMS are also included in net revenues. The Company assumes no risk for these amounts. If the prospective Member Co-Payment subsidies received differ from the amounts based on actual prescription claims, the difference is recorded in either accounts receivable or accrued expenses.

The PSS accounts for CMS obligations and Member Co-Payments (including the amounts subsidized by CMS) using the gross method consistent with its revenue recognition policies for Mail Co-Payments and Retail Co-Payments (discussed previously in this document).

Retail Pharmacy Segment - The PSS recognizes revenue from the sale of merchandise (other than prescription drugs) at the time the merchandise is purchased by the retail customer. Prior to the fourth quarter of 2013, revenue from the sale of prescription drugs was recognized at the time the prescription was filled as opposed to upon delivery as required under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 605, *Revenue Recognition*. For substantially all prescriptions, the fill date and the delivery date occur in the same reporting period. The effect on both revenue and income of recording prescription drug sales upon fill as opposed to delivery is immaterial. During the fourth quarter of 2013, the Company began recognizing revenue from the sale of prescription drugs when the prescription is picked up by the customer. This immaterial error correction is reflected in all annual and quarterly financial statements presented. For the year ended December 31, 2012, the correction reduced net revenues and net income attributable to CVS Caremark by \$13 million and \$13 million. For the year ended December 31, 2011, the correction reduced net revenues by \$20 million and increased net income attributable to CVS Caremark by \$1 million. Diluted earnings per share from net income attributable to CVS Caremark was reduced by \$0.01 for the year ended December 31, 2012. There was no impact on diluted earnings per share from net income attributable to CVS Caremark in any other annual or interim period impacted by the immaterial error correction. The adjustment increased total assets and total liabilities by \$309 million and \$360 million as of December 31, 2012 and decreased retained earnings by \$38 million and \$39 million as of December 31, 2011 and 2010, respectively.

Customer returns are not material. Revenue generated from the performance of services in the PSS's health care clinics is recognized at the time the services are performed. Sales taxes are not included in revenue.

See Note 13 for additional information about the revenues of the Company's business segments.

Notes to Consolidated Financial Statements (continued)

Cost of revenues

Pharmacy Services Segment - The PSS' cost of revenues includes: (i) the cost of prescription drugs sold during the reporting period directly through its mail service dispensing pharmacies and indirectly through its retail pharmacy network, (ii) shipping and handling costs, and (iii) the operating costs of its mail service dispensing pharmacies and client service operations and related information technology support costs including depreciation and amortization. The cost of prescription drugs sold component of cost of revenues includes: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to members in clients' benefit plans from the PSS' mail service dispensing pharmacies, net of any volume-related or other discounts (see "Vendor allowances and purchase discounts" below) and (ii) the cost of prescription drugs sold (including Retail Co-Payments) through the PSS' retail pharmacy network under contracts where it is the principal, net of any volume-related or other discounts.

Retail Pharmacy Segment - The RPS' cost of revenues includes: the cost of merchandise sold during the reporting period and the related purchasing costs, warehousing and delivery costs (including depreciation and amortization) and actual and estimated inventory losses.

See Note 13 for additional information about the cost of revenues of the Company's business segments.

Vendor allowances and purchase discounts

The Company accounts for vendor allowances and purchase discounts as follows:

Pharmacy Services Segment - The PSS receives purchase discounts on products purchased. The PSS' contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the PSS to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, (ii) a discount for the prompt payment of invoices, or (iii) when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy), a discount (or rebate) paid subsequent to dispensing. These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the PSS' results of operations. The PSS accounts for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The PSS also receives additional discounts under its wholesaler contracts if it exceeds contractually defined annual purchase volumes. In addition, the PSS receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of "Cost of revenues".

Retail Pharmacy Segment - Vendor allowances received by the RPS reduce the carrying cost of inventory and are recognized in cost of revenues when the related inventory is sold, unless they are specifically identified as a reimbursement of incremental costs for promotional programs and/or other services provided. Amounts that are directly linked to advertising commitments are recognized as a reduction of advertising expense (included in operating expenses) when the related advertising commitment is satisfied. Any such allowances received in excess of the actual cost incurred also reduce the carrying cost of inventory. The total value of any upfront payments received from vendors that are linked to purchase commitments is initially deferred. The deferred amounts are then amortized to reduce cost of revenues over the life of the contract based upon purchase volume. The total value of any upfront payments received from vendors that are not linked to purchase commitments is also initially deferred. The deferred amounts are then amortized to reduce cost of revenues on a straight-line basis over the life of the related contract. The total amortization of these upfront payments was not material to the accompanying consolidated financial statements.

Insurance - The Company is self-insured for certain losses related to general liability, workers' compensation and auto liability. The Company obtains third party insurance coverage to limit exposure from these claims. The Company is also self-insured for certain losses related to health and medical liabilities. The Company's self-insurance accruals, which include reported claims and claims incurred but not reported, are calculated using standard insurance industry actuarial assumptions and the Company's historical claims experience.

Facility opening and closing costs - New facility opening costs, other than capital expenditures, are charged directly to expense when incurred. When the Company closes a facility, the present value of estimated unrecoverable costs, including the remaining lease obligation less estimated sublease income and the book value of abandoned property and equipment, are charged to expense. The long-term portion of the lease obligations associated with facility closings was \$246 million and \$288 million in 2013 and 2012, respectively.

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Notes to Consolidated Financial Statements (continued)

Advertising costs - Advertising costs are expensed when the related advertising takes place. Advertising costs, net of vendor funding (included in operating expenses), were \$177 million, \$221 million and \$211 million in 2013, 2012 and 2011, respectively.

Interest expense, net - Interest expense, net of capitalized interest, was \$517 million, \$561 million and \$588 million, and interest income was \$8 million, \$4 million and \$4 million in 2013, 2012 and 2011, respectively. Capitalized interest totaled \$25 million, \$29 million and \$37 million in 2013, 2012 and 2011, respectively.

Shares held in trust - The Company maintains grantor trusts, which held approximately 1 million shares of its common stock at December 31, 2013 and 2012, respectively. These shares are designated for use under various employee compensation plans. Since the Company holds these shares, they are excluded from the computation of basic and diluted shares outstanding.

Accumulated other comprehensive loss - Accumulated other comprehensive loss consists of changes in the net actuarial gains and losses associated with pension and other postretirement benefit plans, unrealized losses on derivatives from cash flow hedges executed in previous years associated with the issuance of long-term debt, and foreign currency translation adjustments. The amount included in accumulated other comprehensive loss related to the Company's pension and postretirement plans was \$172 million pre-tax (\$106 million after-tax) as of December 31, 2013 and \$268 million pre-tax (\$165 million after-tax) as of December 31, 2012. The net impact on cash flow hedges totaled \$22 million pre-tax (\$13 million after-tax) and \$26 million pre-tax (\$16 million after-tax) as of December 31, 2013 and 2012, respectively. Cumulative foreign currency translation adjustments at December 31, 2013 were \$30 million.

Changes in accumulated other comprehensive income (loss) by component are shown below:

| In millions | Year Ended December 31, 2013 ⁽¹⁾ | | | | Stock-based |
|---|---|---|------------------|----------|-------------|
| | Losses on Cash Flow Hedges | Pension and Other Postretirement Benefits | Foreign Currency | Total | |
| Balance, December 31, 2012 | \$ (16) | \$ (165) | \$ — | \$ (181) | |
| Other comprehensive income (loss) before reclassifications | — | — | (30) | (30) | |
| Amounts reclassified from accumulated other comprehensive income ⁽²⁾ | 3 | 59 | — | 62 | |
| Net other comprehensive income (loss) | 3 | 59 | (30) | 32 | |
| Balance, December 31, 2013 | \$ (13) | \$ (106) | \$ (30) | \$ (149) | |

⁽¹⁾ **compensation** - Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally 3 to 5 years) using the straight-line method. Stock-based compensation is included in operating expenses.

Related party transactions - The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Pharmacy Services and Retail Pharmacy segments utilize this clinical health information network in providing services to its client plan members and retail customers. The Company expensed fees of approximately \$48 million, \$32 million and \$28 million in the years ended December 31, 2013, 2012 and 2011, respectively, for the use of this network.

The Company's investment in and equity in earnings in SureScripts for all periods presented is immaterial.

Income taxes - The Company provides for income taxes currently payable, as well as for those deferred because of timing differences between reported income and expenses for financial statement purposes versus income tax return purposes. Income tax credits are recorded as a reduction of income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax return purposes. Deferred income tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be

Notes to Consolidated Financial Statements (continued)

recoverable or settled. The effect of a change in income tax rates is recognized as income or expense in the period of the change.

Earnings per common share - Basic earnings per common share is computed by dividing: (i) net earnings by (ii) the weighted average number of common shares outstanding during the year (the "Basic Shares"). Diluted earnings per common share is computed by dividing: (i) net earnings by (ii) Basic Shares plus the additional shares that would be issued assuming that all dilutive stock awards are exercised. Options to purchase 6.2 million, 5.9 million and 30.5 million shares of common stock were outstanding as of December 31, 2013, 2012 and 2011, respectively, but were not included in the calculation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

New Accounting Pronouncements

In July 2012, the FASB issued Accounting Standards Update ("ASU") 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* ("ASU 2012-02"). ASU 2012-02 allows entities to use a qualitative approach to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount and recognize an impairment loss, if any, to the extent the carrying value exceeds its fair value. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of ASU 2012-02 did not have a material effect on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). ASU 2013-02 adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. The additional disclosures include: (1) changes in accumulated other comprehensive income balances by component and (2) significant items reclassified out of accumulated other comprehensive income. The changes in accumulated other comprehensive income balance by component will be disaggregated to separately present reclassification adjustments and current-period other comprehensive income. Significant items reclassified out of accumulated other comprehensive income by component are required to be presented either on the face of the statement of income or as separate disclosure in the notes to the financial statements. These additional disclosures may be presented before-tax or net-of-tax as long as the income tax benefit or expense attributed to each component of other comprehensive income and reclassification adjustments is presented in the financial statement or in the notes to the financial statements. ASU 2013-02 is effective for interim and annual periods beginning after December 15, 2012 and should be applied prospectively. The adoption of ASU 2013-02 did not have a material effect on the Company's consolidated financial statements. The expanded disclosures have been included in Note 1 to these consolidated financial statements.

2 Changes in Accounting Principle

Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the RPS. Prior to 2012, the Company valued prescription drug inventories at the lower of cost or market on a first-in, first-out ("FIFO") basis in retail pharmacies using the retail inventory method and in distribution centers using the FIFO cost method. Effective January 1, 2012, all prescription drug inventories in the RPS have been valued at the lower of cost or market using the weighted average cost method. These changes affected approximately 51% of consolidated inventories as of January 1, 2012.

These changes were made primarily to bring all of the pharmacy operations of the Company to a common inventory valuation methodology and to provide the Company with better information to manage its retail pharmacy operations. The Company believes the weighted average cost method is preferable to the retail inventory method and the FIFO cost method because it results in greater precision in the determination of cost of revenues and inventories by specific drug product and results in a consistent inventory valuation method for all of the Company's prescription drug inventories as the PSS's mail service and specialty pharmacies were already on the weighted average cost method. Most of these mail service and specialty pharmacies in the PSS were acquired in the Company's 2007 acquisition of Caremark Rx, Inc.

The Company recorded the cumulative effect of these changes in accounting principle as of January 1, 2012. The Company determined that retrospective application for periods prior to 2012 is impracticable, as the period-specific information necessary to value prescription drug inventories in the Retail Pharmacy Segment under the weighted average cost method is unavailable. The Company implemented a new pharmacy cost accounting system to value prescription drug inventory as of January 1, 2012 and calculated the cumulative impact. The effect of these changes in accounting principle as of January 1, 2012

Notes to Consolidated Financial Statements (continued)

was a decrease in inventories of \$146 million, an increase in current deferred income tax assets of \$57 million and a decrease in retained earnings of \$89 million.

Had the Company not made these changes in accounting principle, for the year ended December 31, 2012, income from continuing operations and net income attributable to CVS Caremark would have been approximately \$19 million lower. For the year ended December 31, 2012, basic and diluted earnings per common share for income from continuing operations attributable to CVS Caremark and net income attributable to CVS Caremark would have been reduced by \$0.01.

3 Discontinued Operations

On November 1, 2011, the Company sold its TheraCom, L.L.C. ("TheraCom") subsidiary to AmerisourceBergen Corporation for \$250 million, plus a working capital adjustment of \$7 million which the Company received in March 2012. TheraCom is a provider of commercialization support services to the biotech and pharmaceutical industries. The TheraCom business had historically been part of the Company's PSS. The results of the TheraCom business are presented as discontinued operations and have been excluded from both continuing operations and segment results for all periods presented.

In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Linens 'n Things which filed for bankruptcy in 2008. The Company's income (loss) from discontinued operations includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its Linens 'n Things lease guarantees.

Below is a summary of the results of discontinued operations for the years ended December 31:

In millions

Net revenues of TheraCom

Income from operations of TheraCom

Gain on disposal of TheraCom

Loss on disposal of Linens 'n Things

Income tax benefit (provision)

Loss from discontinued operations, net of tax

| | 2013 | 2012 | 2011 | |
|--|--------|--------|---------|-----------------------------------|
| | \$ — | \$ — | \$ 650 | 4 Goodwill and Other Intangibles |
| | \$ — | \$ — | \$ 18 | Goodwill and other |
| | — | — | 53 | indefinitely-lived assets are not |
| | (12) | (12) | (7) | amortized, but are subject to |
| | 4 | 5 | (95) | annual impairment reviews, or |
| | \$ (8) | \$ (7) | \$ (31) | more frequent reviews if events |
| | | | | or circumstances indicate an |
| | | | | impairment may exist. |

When evaluating goodwill for potential impairment, the Company first compares the fair value of its two reporting units, the PSS and RPS, to their respective carrying amounts. The Company estimates the fair value of its reporting units using a combination of a future discounted cash flow valuation model and a comparable market transaction model. If the estimated fair value of the reporting unit is less than its carrying amount, an impairment loss calculation is prepared. The impairment loss calculation compares the implied fair value of a reporting unit's goodwill with the carrying amount of its goodwill. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to the excess. During the third quarter of 2013, the Company performed its required annual goodwill impairment tests. The Company concluded there were no goodwill impairments as of the testing date. The carrying amount of goodwill was \$26.5 billion and \$26.4 billion as of December 31, 2013 and 2012, respectively (see Note 13 for a breakdown of goodwill by segment). During the year ended December 31, 2013, goodwill increased \$12 million in PSS and \$135 million in RPS for a total increase of \$147 million. The increase in PSS was primarily due to an immaterial acquisition. The \$135 million net increase in RPS was due to an immaterial acquisition which increased goodwill by \$160 million, which was partially offset by a decrease of \$25 million related to foreign currency translation adjustments.

Indefinitely-lived intangible assets are tested for impairment by comparing the estimated fair value of the asset to its carrying value. The Company estimates the fair value of its indefinitely-lived trademark using the relief from royalty method under the income approach. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value. During the third quarter of 2013, the Company performed its annual

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Notes to Consolidated Financial Statements (continued)

impairment test of the indefinitely-lived trademark and concluded there was no impairment as of the testing date. The carrying amount of its indefinitely-lived trademark was \$6.4 billion as of December 31, 2013 and 2012.

The Company amortizes intangible assets with finite lives over the estimated useful lives of the respective assets, which have a weighted average useful life of 13.0 years. The weighted average useful lives of the Company's customer contracts and relationships and covenants not to compete are 12.5 years. The weighted average lives of the Company's favorable leases and other intangible assets are 17.1 years. Amortization expense for intangible assets totaled \$494 million, \$486 million and \$452 million in 2013, 2012 and 2011, respectively. The anticipated annual amortization expense for these intangible assets for the next five years is \$457 million in 2014, \$427 million in 2015, \$398 million in 2016, \$375 million in 2017 and \$357 million in 2018.

The following table is a summary of the Company's intangible assets as of December 31:

| | 2013 | | | 2012 | | |
|---|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| <i>In millions</i> | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trademark (indefinitely-lived) | \$ 6,398 | \$ — | \$ 6,398 | \$ 6,398 | \$ — | \$ 6,398 |
| Customer contracts and relationships and covenants not to compete | 5,840 | (3,083) | 2,757 | 5,745 | (2,812) | 2,933 |
| Favorable leases and other | 800 | (426) | 374 | 802 | (380) | 422 |
| | <u>\$ 13,038</u> | <u>\$ (3,509)</u> | <u>\$ 9,529</u> | <u>\$ 12,945</u> | <u>\$ (3,192)</u> | <u>\$ 9,753</u> |

5 Share Repurchase Programs

On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program"). On August 23, 2011, the Company's Board of Directors authorized a share repurchase program for up to \$4.0 billion of outstanding common stock (the "2011 Repurchase Program"). On June 14, 2010, our Board of Directors authorized a share repurchase program for up to \$2.0 billion of outstanding common stock (the "2010 Repurchase Program"). The share repurchase authorizations, each of which was effective immediately, permitted the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The 2013 and 2012 Repurchase Programs may be modified or terminated by the Board of Directors at any time. The 2011 and 2010 Repurchase Programs have been completed, as described below.

Pursuant to the authorization under the 2012 Repurchase Program, effective October 1, 2013, the Company entered into a \$1.7 billion fixed dollar accelerated share repurchase ("ASR") agreement with Barclays Bank PLC ("Barclays"). Upon payment of the \$1.7 billion purchase price on October 1, 2013, the Company received a number of shares of its common stock equal to 50% of the \$1.7 billion notional amount of the ASR agreement or approximately 14.9 million shares at a price of \$56.88 per share. The Company received approximately 11.7 million shares of common stock on December 30, 2013 at an average price of \$61.83 per share, representing the remaining 50% of the \$1.7 billion notional amount of the ASR agreement and thereby concluding the agreement. The total of 26.6 million shares of common stock delivered to the Company by Barclays over the term of the October 2013 ASR agreement were placed into treasury stock.

Pursuant to the authorizations under the 2011 and 2012 Repurchase Programs, on September 19, 2012, the Company entered into a \$1.2 billion fixed dollar ASR agreement with Barclays. Upon payment of the \$1.2 billion purchase price on September 20, 2012, the Company received a number of shares of its common stock equal to 50% of the \$1.2 billion notional amount of the ASR agreement or approximately 12.6 million shares at a price of \$47.71 per share. The Company received approximately 13.0 million shares of common stock on November 16, 2012 at an average price of \$46.96 per share, representing the remaining 50% of the \$1.2 billion notional amount of the ASR agreement and thereby concluding the agreement. The total of 25.6 million shares of common stock delivered to the Company by Barclays over the term of the September 2012 ASR agreement were placed into treasury stock.

Pursuant to the authorization under the 2011 Repurchase Program, on August 24, 2011, the Company entered into a \$1.0 billion fixed dollar ASR agreement with Barclays. The ASR agreement contained provisions that establish the minimum and maximum number of shares to be repurchased during its term. Pursuant to the ASR agreement, on August 25, 2011, the

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Notes to Consolidated Financial Statements (continued)

Company paid \$1.0 billion to Barclays in exchange for Barclays delivering 20.3 million shares of common stock to the Company. On September 16, 2011, upon establishment of the minimum number of shares to be repurchased, Barclays delivered an additional 5.4 million shares of common stock to the Company. At the conclusion of the transaction on December 28, 2011, Barclays delivered a final installment of 1.6 million shares of common stock on December 29, 2011. The aggregate 27.3 million shares of common stock delivered to the Company by Barclays, were placed into treasury stock. This represented all the repurchases that occurred during the year ended December 31, 2011 under the 2011 Repurchase Program.

Each of the ASR transactions described above were accounted for as an initial treasury stock transaction and a forward contract. The forward contract was classified as an equity instrument. The initial repurchase of the shares and delivery of the remainder of the shares to conclude each ASR, resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted net income per share.

During the year ended December 31, 2013, the Company repurchased an aggregate of 66.2 million shares of common stock for approximately \$4.0 billion under the 2012 Repurchase Program, which includes shares received from the October 2013 ASR agreement described above. As of December 31, 2013, there remained an aggregate of approximately \$6.7 billion available for future repurchases under the 2013 and 2012 Repurchase Programs.

During the year ended December 31, 2012, the Company repurchased an aggregate of 95.0 million shares of common stock for approximately \$4.3 billion under the 2012 and 2011 Repurchase Programs, which includes shares received from the September 2012 ASR agreement described above. As of December 31, 2012, the 2011 Repurchase Program was complete.

During the year ended December 31, 2011, the Company repurchased an aggregate of 56.4 million shares of common stock for approximately \$2.0 billion, completing the 2010 Repurchase Program.

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Notes to Consolidated Financial Statements (continued)

6 Borrowing and Credit Agreements

The following table is a summary of the Company's borrowings as of December 31:

| <i>In millions</i> | 2013 | 2012 |
|------------------------------|------|--------|
| Commercial paper | \$ — | \$ 690 |
| 4.875% senior notes due 2014 | 550 | 550 |

| | | |
|---|------------------|-----------------|
| 3.25% senior notes due 2015 | 550 | 550 |
| 1.2% senior notes due 2016 | 750 | — |
| 6.125% senior notes due 2016 | 421 | 421 |
| 5.75% senior notes due 2017 | 1,310 | 1,310 |
| 2.25% senior notes due 2018 | 1,250 | — |
| 6.6% senior notes due 2019 | 394 | 394 |
| 4.75% senior notes due 2020 | 450 | 450 |
| 4.125% senior notes due 2021 | 550 | 550 |
| 2.75% senior notes due 2022 | 1,250 | 1,250 |
| 4.0% senior notes due 2023 | 1,250 | — |
| 6.25% senior notes due 2027 | 1,000 | 1,000 |
| 6.125% senior notes due 2039 | 1,500 | 1,500 |
| 5.75% senior notes due 2041 | 950 | 950 |
| 5.3% senior notes due 2043 | 750 | — |
| Enhanced Capital Advantage Preferred Securities due 2062 ⁿ | 41 | 41 |
| Deferred acquisition payables due 2015-2017 ⁿ | 42 | — |
| Mortgage notes payable | 4 | 1 |
| Capital lease obligations | 390 | 171 |
| | 13,402 | 9,828 |
| Less: | | |
| Short-term debt (commercial paper) | — | (690) |
| Current portion of long-term debt | (561) | (5) |
| | <u>\$ 12,841</u> | <u>\$ 9,133</u> |

The Company had no commercial paper outstanding as of December 31, 2013. In connection with its commercial paper program, the Company maintains a \$1.25 billion, four-year unsecured back-up credit facility, which expires on May 23, 2016, a \$1.25 billion, five-year unsecured back-up credit facility, which expires on February 17, 2017, and a \$1.0 billion, five-year unsecured back-up credit facility, which expires on May 23, 2018. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. As of December 31, 2013, there were no borrowings outstanding under the back-up credit facilities. The weighted average interest rate for short-term debt was 0.27% as of December 31, 2013 and 0.35% as of December 31, 2012.

On December 2, 2013, the Company issued \$750 million of 1.2% unsecured senior notes due December 5, 2016; \$1.25 billion of 2.25% unsecured senior notes due December 5, 2018; \$1.25 billion of 4.0% unsecured senior notes due December 5, 2023; and \$750 million of 5.3% unsecured senior notes due December 5, 2043 (the "2013 Notes") for total proceeds of approximately \$4.0 billion, net of discounts and underwriting fees. The 2013 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2013 Notes were used to repay commercial paper outstanding at the time of issuance and to fund the acquisition of Coram LLC in January 2014 (See Note 15). The remainder will be used for general corporate purposes.

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Notes to Consolidated Financial Statements (continued)

On November 26, 2012, the Company issued \$1.25 billion of 2.75% unsecured senior notes due December 1, 2022 (the "2012 Notes") for total proceeds of approximately \$1.24 billion, net of discounts and underwriting fees. The 2012 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2012 Notes were used for general corporate purposes and to repay certain corporate debt.

On November 26, 2012, the Company announced tender offers for any and all of the 6.6% Senior Notes due 2019, and up to a maximum amount of the 6.125% Senior Notes due 2016 and 5.75% Senior Notes due 2017, for up to an aggregate principal amount of \$1.0 billion. In December 2012, the Company increased the aggregate principal amount of the tender offers to \$1.325 billion and completed the repurchase for the maximum amount. The Company paid a premium of \$332 million in excess of the debt principal in connection with the tender offers, wrote off \$13 million of unamortized deferred financing costs and incurred \$3 million in fees, for a total loss on the early extinguishment of debt of \$348 million. The loss was recorded in income from continuing operations on the consolidated statement of income.

In connection with the Company's acquisition of the UAM Medicare Part D Business in April 2011, the Company assumed \$110 million of long-term debt in the form of Trust Preferred Securities that mature through 2037. During the years ended December 31, 2012 and 2011, the Company repaid \$50 million and \$60 million, respectively, of the Trust Preferred Securities at par.

On May 12, 2011, the Company issued \$550 million of 4.125% unsecured senior notes due May 15, 2021 and issued \$950 million of 5.75% unsecured senior notes due May 15, 2041 (collectively, the "2011 Notes") for total proceeds of approximately \$1.5 billion, net of discounts and underwriting fees. The 2011 Notes pay interest semi-annually and may be redeemed, in whole at any time, or in part from time to time, at the Company's option at a defined redemption price plus accrued and unpaid interest to the redemption date. The net proceeds of the 2011 Notes were used to repay commercial paper borrowings and certain other corporate debt, and were used for general corporate purposes.

In December 2011 and July 2012, the Company repurchased \$958 million and \$1 million of the principal amount of its ECAPS at par. The fees and write-off of deferred issuance costs associated with the early extinguishment of the ECAPS were de minimis. The remaining \$41 million of outstanding ECAPS at December 31, 2013 are due in 2062. The ECAPS pay interest semi-annually and may be redeemed at any time, in whole or in part at a defined redemption price plus accrued interest.

The credit facilities, back-up credit facilities, unsecured senior notes and ECAPS contain customary restrictive financial and operating covenants. The covenants do not materially affect the Company's financial or operating flexibility.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2013 are \$561 million in 2014, \$576 million in 2015, \$1.2 billion in 2016, \$1.3 billion in 2017 and \$1.3 billion in 2018.

7 Leases

The Company leases most of its retail and mail order locations, ten of its distribution centers and certain corporate offices under non-cancelable operating leases, typically with initial terms of 15 to 25 years and with options that permit renewals for additional periods. The Company also leases certain equipment and other assets under noncancelable operating leases, typically with initial terms of 3 to 10 years. Minimum rent is expensed on a straight-line basis over the term of the lease. In addition to minimum rental payments, certain leases require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed when incurred.

The following table is a summary of the Company's net rental expense for operating leases for the years ended December 31:

| | 2013 | 2012 | 2011 |
|-----------------------|-----------------|-----------------|-----------------|
| <i>In millions</i> | | | |
| Minimum rentals | \$ 2,210 | \$ 2,165 | \$ 2,087 |
| Contingent rentals | 41 | 48 | 49 |
| | <u>2,251</u> | <u>2,213</u> | <u>2,136</u> |
| | (21) | (20) | (19) |
| Less: sublease income | <u>\$ 2,230</u> | <u>\$ 2,193</u> | <u>\$ 2,117</u> |

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Notes to Consolidated Financial Statements (continued)

The following table is a summary of the future minimum lease payments under capital and operating leases as of December 31, 2013:

| <u>In millions</u> | <u>Capital Leases</u> | <u>Operating Leases⁽¹⁾</u> |
|--|---------------------------|---|
| 2014 | \$ 46 | \$ 2,175 |
| 2015 | 46 | 2,129 |
| 2016 | 47 | 2,055 |
| 2017 | 47 | 1,964 |
| 2018 | 47 | 1,853 |
| Thereafter | 556 | 16,914 |
| Total future lease payments | 789 | 27,090 |
| Less: imputed interest | (399) | |
| Present value of capital lease obligations | \$ 390 | |

The Company finances a portion of its store development program through sale-leaseback transactions. The properties are generally sold at net book value, which generally approximates fair value, and the resulting leases generally qualify and are accounted for as operating leases. The operating leases that resulted from these transactions are included in the above table. The Company does not have any retained or contingent interests in the stores and does not provide any guarantees, other than a guarantee of lease payments, in connection with the sale-leaseback transactions. Proceeds from sale-leaseback transactions totaled \$600 million in 2013, \$529 million in 2012 and \$592 million in 2011.

8 Medicare Part D

The Company offers Medicare Part D benefits through SilverScript, which has contracted with CMS to be a PDP and, pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA"), must be a risk-bearing entity regulated under state insurance laws or similar statutes.

SilverScript is a licensed domestic insurance company under the applicable laws and regulations. Pursuant to these laws and regulations, SilverScript must file quarterly and annual reports with the National Association of Insurance Commissioners ("NAIC") and certain state regulators, must maintain certain minimum amounts of capital and surplus under a formula established by the NAIC and must, in certain circumstances, request and receive the approval of certain state regulators before making dividend payments or other capital distributions to the Company. The Company does not believe these limitations on dividends and distributions materially impact its financial position.

The Company has recorded estimates of various assets and liabilities arising from its participation in the Medicare Part D program based on information in its claims management and enrollment systems. Significant estimates arising from its participation in this program include: (i) estimates of low-income cost subsidy, reinsurance amounts, and coverage gap discount amounts ultimately payable to or receivable from CMS based on a detailed claims reconciliation that will occur in the following year; (ii) an estimate of amounts receivable from or payable to CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported.

As of December 31, 2013 and 2012, amounts due from CMS included in accounts receivable were \$2.4 billion and \$0.7 billion, respectively.

9 Pension Plans and Other Postretirement Benefits

Defined Contribution Plans

The Company sponsors voluntary 401(k) savings plans that cover substantially all employees who meet plan eligibility requirements. The Company makes matching contributions consistent with the provisions of the plans.

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Notes to Consolidated Financial Statements (continued)

At the participant's option, account balances, including the Company's matching contribution, can be moved without restriction among various investment options, including the Company's common stock fund under one of the defined contribution plans. The Company also maintains a nonqualified, unfunded Deferred Compensation Plan for certain key employees. This plan provides participants the opportunity to defer portions of their eligible compensation and receive matching contributions equivalent to what they could have received under the CVS Caremark 401(k) Plan absent certain restrictions and limitations under the Internal Revenue Code. The Company's contributions under the above defined contribution plans were \$235 million, \$199 million and \$187 million in 2013, 2012 and 2011, respectively.

Other Postretirement Benefits

The Company provides postretirement health care and life insurance benefits to certain retirees who meet eligibility requirements. The Company's funding policy is generally to pay covered expenses as they are incurred. For retiree medical plan accounting, the Company reviews external data and its own historical trends for health care costs to determine the health care cost trend rates. As of December 31, 2013 and 2012, the Company's other postretirement benefits have an accumulated postretirement benefit obligation of \$27 million and \$16 million, respectively. Net periodic benefit costs related to these other postretirement benefits were approximately \$11 million in 2013 and \$1 million in 2012 and 2011. The net periodic benefit costs for 2013 include a settlement loss of \$8 million.

Pursuant to various labor agreements, the Company also contributes to multiemployer health and welfare plans that cover certain union-represented employees. The plans provide postretirement health care and life insurance benefits to certain employees who meet eligibility requirements. Total Company contributions to multiemployer health and welfare plans were \$55 million, \$50 million and \$47 million in 2013, 2012 and 2011, respectively.

Pension Plans

During the year ended December 31, 2013, the Company sponsored ten defined benefit pension plans. Four of the plans are tax-qualified plans that are funded based on actuarial calculations and applicable federal laws and regulations. The other six plans are unfunded nonqualified supplemental retirement plans. Most of the plans were frozen in prior periods. During the years ended December 31, 2012 and 2011, the Company had a total of nine defined benefit pension plans.

As of December 31, 2013, the Company's pension plans had a projected benefit obligation of \$694 million and plan assets of \$568 million. As of December 31, 2012, the Company's pension plans had a projected benefit obligation of \$758 million and plan assets of \$527 million. Actual return on plan assets was \$49 million and \$62 million in 2013 and 2012, respectively. Net periodic pension costs related to these pension plans were \$19 million, \$31 million and \$49 million in 2013, 2012 and 2011, respectively. The net periodic pension costs for 2012 include a curtailment loss of \$2 million. The net periodic pension costs for 2011 include a settlement loss of \$25 million due to the impact of lump sum payouts.

The discount rate is determined by examining the current yields observed on the measurement date of fixed-interest, high quality investments expected to be available during the period to maturity of the related benefits on a plan by plan basis. The discount rate for the plans was 4.75% in 2013 and 4.0% in 2012. The expected long-term rate of return on plan assets is determined by using the plan's target allocation and historical returns for each asset class on a plan by plan basis. The expected long-term rate of return for all plans was 7.25% in 2013, 2012 and 2011.

Historically, the Company used an investment strategy which emphasized equities in order to produce higher expected returns, and in the long run, lower expected expense and cash contribution requirements. The qualified pension plan asset allocation targets were 50% equity and 50% fixed income for 2012 and 2011. Beginning in 2013, the Company changed its investment strategy to be liability management driven. The qualified pension plan asset allocation targets in 2013 were revised to hold more fixed income investments based on the change in the investment strategy. Investment allocations for the four qualified defined benefit plans range from 60% to 85% in fixed income and 15% to 40% in equities as of December 31, 2013.

As of December 31, 2013, the Company's qualified defined benefit pension plan assets consisted of 23% equity, 76% fixed income and 1% money market securities of which 17% were classified as Level 1 and 83% as Level 2 in the fair value hierarchy. The Company's qualified defined benefit pension plan assets as of December 31, 2012 consisted of 50% equity, 48% fixed income and 2% money market securities of which 84% were classified as Level 1 and 16% as Level 2 in the fair value hierarchy.

The Company contributed \$33 million, \$36 million and \$92 million to the pension plans during 2013, 2012 and 2011, respectively. The Company plans to make approximately \$41 million in contributions to the pension plans during 2014.

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Notes to Consolidated Financial Statements (continued)

The Company also contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

None of the multiemployer pension plans in which the Company participates are individually significant to the Company. Total Company contributions to multiemployer pension plans were \$13 million, \$12 million and \$11 million in 2013, 2012 and 2011, respectively.

10 Stock Incentive Plans

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally three to five years) using the straight-line method. Stock-based compensation costs are included in selling, general and administrative expenses.

Compensation expense related to stock options, which includes the 2007 Employee Stock Purchase Plan (the "2007 ESPP") totaled \$100 million, \$102 million and \$112 million for 2013, 2012 and 2011, respectively. The recognized tax benefit was \$32 million, \$33 million and \$38 million for 2013, 2012 and 2011, respectively. Compensation expense related to restricted stock awards totaled \$41 million, \$30 million and \$21 million for 2013, 2012 and 2011, respectively.

The 2007 ESPP provides for the purchase of up to 15 million shares of common stock. In March 2013, the Board of Directors approved an amendment to the 2007 ESPP to provide an additional 15 million shares of common stock for issuance. Under the 2007 ESPP, eligible employees may purchase common stock at the end of each six month offering period at a purchase price equal to 85% of the lower of the fair market value on the first day or the last day of the offering period. During 2013, approximately 2 million shares of common stock were purchased under the provisions of the 2007 ESPP at an average price of \$41.44 per share. As of December 31, 2013, approximately 17 million shares of common stock were available for issuance under the 2007 ESPP.

The fair value of stock-based compensation associated with the 2007 ESPP is estimated on the date of grant (the first day of the six month offering period) using the Black-Scholes Option Pricing Model.

The following table is a summary of the assumptions used to value the ESPP awards for each of the respective periods:

| | 2013 | 2012 | 2011 |
|---|----------|---------|---------|
| Dividend yield ⁽¹⁾ | 0.86% | 0.73% | 0.69% |
| Expected volatility ⁽²⁾ | 16.94% | 22.88% | 20.42% |
| Risk-free interest rate ⁽³⁾ | 0.10% | 0.10% | 0.15% |
| Expected life (in years) ⁽⁴⁾ | 0.5 | 0.5 | 0.5 |
| Weighted-average grant date fair value | \$ 10.08 | \$ 9.22 | \$ 7.21 |

(1) The dividend yield is calculated based on semi-annual dividends paid and the fair market value of the Company's stock at the grant date.

(2) The expected volatility is based on the historical volatility of the Company's daily stock market prices over the previous six month period.

(3) The risk-free interest rate is based on the Treasury constant maturity interest rate whose term is consistent with the expected term of ESPP options (i.e., 6 months).

(4) The expected life is based on the semi-annual purchase period of Directors adopted and the shareholders approved the 2010 Incentive Compensation Plan (the "2010 ICP"). The terms of the 2010 ICP provide for grants of annual incentive and long-term performance awards to executive officers and other officers and employees of the Company or any subsidiary of the Company. Payment of such annual incentive and long-term performance awards will be in cash, stock, other awards or other property, at the discretion of the Management Planning and Development Committee of the Company's Board of Directors. The 2010 ICP allows for a maximum of 74 million shares to be reserved and available for grants. The 2010 ICP is the only compensation plan under which the Company grants stock options, restricted stock and other stock-based awards to its employees, with the exception of the Company's 2007 ESPP. In November 2012, the Company's Board of Director's approved an amendment to the 2010 ICP to

In May 2010, the Company's Board

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eliminate the share recycling provision of the 2010 ICP. As of December 31, 2013, there were approximately 38 million shares available for future grants under the 2010 ICP.

The Company's restricted awards are considered non-vested share awards and require no payment from the employee. Compensation cost is recorded based on the market price on the grant date and is recognized on a straight-line basis over the requisite service period. The Company granted 1,715,000, 1,811,000 and 1,121,000 restricted stock units with a weighted average fair value of \$54.30, \$44.80 and \$34.84 in 2013, 2012 and 2011, respectively. As of December 31, 2013, there was \$89 million of total unrecognized compensation cost related to the restricted stock units that are expected to vest. These costs are expected to be recognized over a weighted-average period of 2.1 years. The total fair value of restricted shares vested during 2013, 2012 and 2011 was \$41 million, \$81 million and \$33 million, respectively.

The following table is a summary of the restricted stock unit and restricted share award activity for the year ended December 31, 2013.

| Units in thousands | Units | Weighted Average Grant Date Fair Value | All grants under the 2010 ICP are |
|--------------------------------|-------|--|-----------------------------------|
| Nonvested at beginning of year | 2,350 | \$ | 33.32 |
| Granted | 1,715 | | 54.30 |
| Vested | (802) | | 54.58 |
| Forfeited | (242) | | 46.17 |
| Nonvested at end of year | 3,021 | \$ | 38.56 |

options is estimated using the Black-Scholes Option Pricing Model and stock-based compensation is recognized on a straight-line basis over the requisite service period. Options granted through 2010 generally become exercisable over a three-year period from the grant date. Beginning in 2011, options granted generally become exercisable over a four-year period from the grant date. Options generally expire seven years after the grant date.

Excess tax benefits of \$62 million, \$28 million and \$21 million were included in financing activities in the accompanying consolidated statements of cash flow during 2013, 2012 and 2011, respectively. Cash received from stock options exercised, which includes the 2007 ESPP, totaled \$500 million, \$836 million and \$431 million during 2013, 2012 and 2011, respectively. The total intrinsic value of options exercised was \$282 million, \$321 million and \$161 million in 2013, 2012 and 2011, respectively. The total fair value of options vested during 2013, 2012 and 2011 was \$329 million, \$386 million and \$452 million, respectively.

The fair value of each stock option is estimated using the Black-Scholes option pricing model based on the following assumptions at the time of grant:

| | 2013 | 2012 | 2011 |
|---|----------|----------|---------|
| Dividend yield ⁽¹⁾ | 1.65% | 1.44% | 1.43% |
| Expected volatility ⁽²⁾ | 30.96% | 32.49% | 32.62% |
| Risk-free interest rate ⁽³⁾ | 0.73% | 0.84% | 1.81% |
| Expected life (in years) ⁽⁴⁾ | 4.7 | 4.7 | 4.7 |
| Weighted-average grant date fair value | \$ 12.50 | \$ 11.12 | \$ 9.19 |

(1) The dividend yield is based on annual dividends paid and the fair market value of the Company's stock at the grant date.

(2) The expected volatility is estimated using the Company's historical volatility over a period equal to the expected life of each option grant after adjustments for infrequent events such as stock splits. As of December 31, 2013, unrecognized compensation expense related to unvested options totaled \$170 million, which the Company expects to be recognized over a weighted-

(3) The risk-free interest rate is selected based on yields from U.S. Treasury zero-coupon issues with a remaining term equal to the expected term of the options being valued.

(4) The expected life represents the number of years the options are expected to be outstanding from grant date based on historical option holder exercise experience. million, which the Company expects to be recognized over a weighted-average period of 2.1 years. After considering anticipated forfeitures, the Company expects approximately 19 million of the unvested options to vest over the requisite service period.

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The following table is a summary of the Company's stock option activity for the year ended December 31, 2013:

| <u>Shares in thousands</u> | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value | Income Taxes |
|--|----------|---------------------------------|---|---------------------------|--------------|
| Outstanding at December 31, 2012 | 40,929 | \$ 36.57 | 4.34 | \$ 482,249,000 | — |
| Granted | 8,556 | \$ 54.60 | — | — | The |
| Exercised | (12,568) | \$ 35.04 | — | — | Income |
| Forfeited | (1,619) | \$ 41.87 | — | — | tax |
| Expired | (560) | \$ 31.18 | — | — | provision |
| Outstanding at December 31, 2013 | 34,738 | \$ 41.40 | 4.39 | \$ 1,047,976,191 | For |
| Exercisable at December 31, 2013 | 14,573 | \$ 35.21 | 2.95 | \$ 529,832,395 | |
| Vested and expected to vest at December 31, 2013 | 33,601 | \$ 41.17 | 4.34 | \$ 1,021,486,782 | |

continuing operations consisted of the following for the respective years:

| <u>In millions</u> | 2013 | 2012 | 2011 |
|--------------------|----------|----------|----------|
| Current: | | | |
| Federal | \$ 2,623 | \$ 2,226 | \$ 1,807 |
| State | 437 | 410 | 338 |
| | 3,060 | 2,636 | 2,145 |
| Deferred: | | | |
| Federal | (115) | (182) | 101 |
| State | (17) | (18) | 12 |
| | (132) | (200) | 113 |
| Total | \$ 2,928 | \$ 2,436 | \$ 2,258 |

The following table is a reconciliation of the statutory income tax rate to the Company's effective income tax rate for continuing operations for the respective years:

| | 2013 | 2012 | 2011 |
|--|-------|-------|-------|
| Statutory income tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal tax benefit | 4.0 | 3.9 | 3.9 |
| Other | (0.1) | (0.1) | 0.4 |
| Effective income tax rate | 38.9% | 38.9% | 39.3% |

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Notes to Consolidated Financial Statements (continued)

The following table is a summary of the significant components of the Company's deferred tax assets and liabilities as of December 31:

| <u>In millions</u> | 2013 | 2012 |
|---------------------------------|------------|------------|
| Deferred tax assets: | | |
| Lease and rents | \$ 344 | \$ 336 |
| Inventories | — | 141 |
| Employee benefits | 213 | 202 |
| Allowance for doubtful accounts | 79 | 137 |
| Retirement benefits | 172 | 115 |
| Net operating losses | 10 | 5 |
| Depreciation | 192 | — |
| Other | 598 | 430 |
| Valuation allowance | (3) | — |
| Total deferred tax assets | 1,605 | 1,366 |
| Deferred tax liabilities: | | |
| Inventories | (69) | — |
| Depreciation and amortization | (4,512) | (4,457) |
| Total deferred tax liabilities | (4,581) | (4,457) |
| Net deferred tax liabilities | \$ (2,976) | \$ (3,091) |

Net deferred tax assets (liabilities) are presented on the consolidated balance sheets as follows:

In millions

Deferred tax assets—current
 Deferred tax assets—noncurrent (included in other assets)
 Deferred tax liabilities—noncurrent
 Net deferred tax liabilities

| | 2013 | 2012 |
|----|---------|------------|
| \$ | 902 | \$ 693 |
| | 23 | — |
| | (3,901) | (3,784) |
| \$ | (2,976) | \$ (3,091) |

The Company believes it is more likely than not the deferred tax assets will be realized during future periods.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

In millions

Beginning balance
 Additions based on tax positions related to the current year
 Additions based on tax positions related to prior years
 Reductions for tax positions of prior years
 Expiration of statutes of limitation
 Settlements
 Ending balance

| | 2013 | 2012 | 2011 |
|----|------|-------|-------|
| \$ | 80 | \$ 38 | \$ 35 |
| | 19 | 15 | 3 |
| | 37 | 42 | 13 |
| | (1) | (2) | — |
| | (17) | (12) | (7) |
| | (1) | (1) | (6) |
| \$ | 117 | \$ 80 | \$ 38 |

The Company and most of its subsidiaries are subject to U.S. federal income tax as well as income tax of numerous state and local jurisdictions. The Internal Revenue Service ("IRS") is currently examining the Company's 2012 and 2013 consolidated U.S. federal income tax returns under its Compliance Assurance Process ("CAP") program. The CAP program is a voluntary program under which participating taxpayers work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the filing of their federal income tax return.

The Company and its subsidiaries are also currently under income tax examinations by a number of state and local tax authorities. As of December 31, 2013, no examination has resulted in any proposed adjustments that would result in a material change to the Company's results of operations, financial condition or liquidity.

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Notes to Consolidated Financial Statements (continued)

Substantially all material state and local income tax matters have been concluded for fiscal years through 2008. The Company and its subsidiaries anticipate that a number of state and local income tax examinations will be concluded and statutes of limitation for open years will expire over the next twelve months, which may result in the utilization or reduction of the Company's reserve for uncertain tax positions of up to approximately \$13 million.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in income tax expense. During the years ended December 31, 2013, 2012 and 2011, the Company recognized interest of approximately \$4 million, \$4 million and \$2 million, respectively. The Company had approximately \$10 million accrued for interest and penalties as of December 31, 2013 and 2012.

There are no material uncertain tax positions as of December 31, 2013 the ultimate deductibility of which is highly certain but for which there is uncertainty about the timing of such deductibility. If present, such items would impact deferred tax accounting, not the annual effective income tax rate, and would accelerate the payment of cash to the taxing authority to a period earlier than expected.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is approximately \$95 million, after considering the federal benefit of state income taxes.

12 Commitments and Contingencies**Lease Guarantees**

Between 1991 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, Marshalls, Kay-Bee Toys, Wilsons, This End Up and Footstar. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of, the Company's guarantees remained in place, although each initial purchaser has agreed to indemnify the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations.

As of December 31, 2013, the Company guaranteed approximately 73 such store leases (excluding the lease guarantees related to Linens 'n Things, which are discussed in Note 3), with the maximum remaining lease term extending through 2026. Management believes the ultimate disposition of any of the remaining guarantees will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows.

Legal Matters

The Company is a party to legal proceedings, investigations and claims in the ordinary course of its business, including the matters described below. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. None of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's financial position.

The Company's contingencies are subject to significant uncertainties, including, among other factors: (i) the procedural status of pending matters; (ii) whether class action status is sought and certified; (iii) whether asserted claims or allegations will survive dispositive motion practice; (iv) the extent of potential damages, fines or penalties, which are often unspecified or indeterminate; (v) the impact of discovery on the legal process; (vi) whether novel or unsettled legal theories are at issue, (vii) the settlement posture of the parties, and/or (viii) in the case of certain government agency investigations, whether a sealed *qui tam* lawsuit ("whistleblower" action) has been filed and whether the government agency makes a decision to intervene in the lawsuit following investigation.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters.

- Caremark (the term "Caremark" being used herein to generally refer to any one or more pharmacy benefit management subsidiaries of the Company, as applicable) was a defendant in a *qui tam* lawsuit initially filed by a

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Notes to Consolidated Financial Statements (continued)

relator on behalf of various state and federal government agencies in Texas federal court in 1999. The case was unsealed in May 2005. The case sought monetary damages and alleged that Caremark's processing of Medicaid and certain other government claims on behalf of its clients (which allegedly resulted in underpayments from our clients to the applicable government agencies) on one of Caremark's adjudication platforms violated applicable federal or state false claims acts and fraud statutes. The United States and the States of Texas, Tennessee, Florida, Arkansas, Louisiana and California intervened in the lawsuit, but Tennessee and Florida withdrew from the lawsuit in August 2006 and May 2007, respectively. Thereafter, in 2008, the Company prevailed on several motions for partial summary judgment and, following an appellate ruling from the Fifth Circuit Court of Appeals in 2011 which affirmed in part and reversed in part these prior rulings, the claims asserted in the case against Caremark were substantially narrowed. In December 2013, this case was dismissed following a settlement between the Company and the plaintiffs.

In a related matter, in December 2007, the Company received a document subpoena from the Office of Inspector General ("OIG") within the U.S. Department of Health and Human Services ("HHS"), requesting information relating to the processing of Medicaid and other government agency claims on a different adjudication platform of Caremark. The Company has provided documents and other information in response to this request for information. The Company has been conducting discussions with the United States Department of Justice ("DOJ") and the OIG regarding a possible settlement of this matter.

- Caremark was named in a putative class action lawsuit filed in October 2003 in Alabama state court by John Lauriello, purportedly on behalf of participants in the 1999 settlement of various securities class action and derivative lawsuits against Caremark and others. Other defendants include insurance companies that provided coverage to Caremark with respect to the settled lawsuits. The Lauriello lawsuit seeks approximately \$3.2 billion in compensatory damages plus other non-specified damages based on allegations that the amount of insurance coverage available for the settled lawsuits was misrepresented and suppressed. A similar lawsuit was filed in November 2003 by Frank McArthur, also in Alabama state court, naming as defendants Caremark, several insurance companies, attorneys and law firms involved in the 1999 settlement. This lawsuit was stayed as a later-filed class action, but McArthur was subsequently allowed to intervene in the Lauriello action. Following the close of class discovery, the trial court entered an Order on August 15, 2012 that granted the plaintiffs' motion to certify a class pursuant to Alabama Rule of civil Procedures 23(b)(3) but denied their request that the class also be certified pursuant to Rule 23(b)(1). In addition, the August 15, 2012 Order appointed class representatives and class counsel. The defendants' appeal and plaintiffs' cross-appeal are pending before the Alabama Supreme Court. The proceedings in the trial court are stayed by statute pending a decision on the appeal and cross-appeal by the Alabama Supreme Court.
- Various lawsuits have been filed alleging that Caremark has violated applicable antitrust laws in establishing and maintaining retail pharmacy networks for client health plans. In August 2003, Bellevue Drug Co., Robert Schreiber, Inc. d/b/a Burns Pharmacy and Rehn-Huerbinger Drug Co. d/b/a Parkway Drugs #4, together with Pharmacy Freedom Fund and the National Community Pharmacists Association filed a putative class action against Caremark in Pennsylvania federal court, seeking treble damages and injunctive relief. This case was initially sent to arbitration based on the contract terms between the pharmacies and Caremark. In October 2003, two independent pharmacies, North Jackson Pharmacy, Inc. and C&C, Inc. d/b/a Big C Discount Drugs, Inc., filed a putative class action complaint in Alabama federal court against Caremark and two PBM competitors, seeking treble damages and injunctive relief. The North Jackson Pharmacy case against two of the Caremark entities named as defendants was transferred to Illinois federal court, and the case against a separate Caremark entity was sent to arbitration based on contract terms between the pharmacies and Caremark. The Bellevue arbitration was then stayed by the parties pending developments in the North Jackson Pharmacy court case. In August 2006, the Bellevue case and the North Jackson Pharmacy case were both transferred to Pennsylvania federal court by the Judicial Panel on Multidistrict Litigation for coordinated and consolidated proceedings with other cases before the panel, including cases against other PBMs. Caremark appealed the decision which vacated an order compelling arbitration and staying the proceedings in the Bellevue case and, following the appeal, the Court of Appeals reinstated the order compelling arbitration of the Bellevue case. Following remand, plaintiffs in the Bellevue case sought dismissal of their complaint to permit an immediate appeal of the reinstated order compelling arbitration and pursued an appeal to the Third Circuit Court of Appeals. In November 2012, the Third Circuit Court reversed the district court ruling and directed the parties to proceed in federal court. Motions for class certification in the coordinated cases within the multidistrict litigation, including the North Jackson Pharmacy case, remain pending, and the court has permitted certain additional class discovery and briefing. The consolidated action is now known as the In Re Pharmacy Benefit Managers Antitrust Litigation.

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Notes to Consolidated Financial Statements (continued)

- In November 2009, a securities class action lawsuit was filed in the United States District Court for the District of Rhode Island purportedly on behalf of purchasers of CVS Caremark Corporation stock between May 5, 2009 and November 4, 2009. Plaintiffs subsequently amended the lawsuit to allege a class period beginning October 30, 2008. The lawsuit names the Company and certain officers as defendants and includes allegations of securities fraud relating to public disclosures made by the Company concerning the PBM business and allegations of insider trading. In addition, a shareholder derivative lawsuit was filed in December 2009 in the same court against the directors and certain officers of the Company. This lawsuit, which was stayed pending developments in the related securities class action, includes allegations of, among other things, securities fraud, insider trading and breach of fiduciary duties and further alleges that the Company was damaged by the purchase of stock at allegedly inflated prices under its share repurchase program. In January 2011, both lawsuits were transferred to the United States District Court for the District of New Hampshire. In June 2012, the court granted the Company's motion to dismiss the securities class action. The plaintiffs subsequently appealed the court's ruling on the motion to dismiss. In May 2013, the First Circuit Court of Appeals vacated the prior ruling and remanded the case to the district court for further proceedings. In December 2013, the district court denied the Company's renewed motion to dismiss the lawsuit. The derivative lawsuit will remain stayed until the Company answers the securities class action complaint.
- In March 2010, the Company learned that various State Attorneys General offices and certain other government agencies were conducting a multi-state investigation of certain of the Company's business practices similar to those being investigated at that time by the U.S. Federal Trade Commission ("FTC"). Twenty-eight states, the District of Columbia and the County of Los Angeles are known to be participating in this investigation. The prior FTC investigation, which commenced in August 2009, was officially concluded in May 2012 when the consent order entered into between the FTC and the Company became final. The Company has cooperated in the multi-state investigation.
- In March 2010, the Company received a subpoena from the OIG requesting information about programs under which the Company has offered customers remuneration conditioned upon the transfer of prescriptions for drugs or medications to the Company's pharmacies in the form of gift cards, cash, non-prescription merchandise or discounts or coupons for non-prescription merchandise. The subpoena relates to an investigation of possible false or otherwise improper claims for payment under the Medicare and Medicaid programs. The Company has provided documents and other information in response to this request for information.
- The Company received a subpoena from the U.S. Securities and Exchange Commission ("SEC") in February 2011 and subsequently received additional subpoenas and other requests for information. The SEC's requests related to, among other things, public disclosures made by the Company during 2009, transactions in the Company's securities by certain officers and employees of the Company during 2009 and the purchase accounting for the Longs Drug Stores acquisition. The Company has provided the documents and other information requested by the SEC and has been cooperating with the SEC in this investigation. The Company has reached an agreement in principle with the staff of the Boston Regional Office of the SEC to settle certain allegations that, during the third and fourth quarters of 2009, the Company violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, including certain anti-fraud provisions of those statutes. The agreement in principle will be entered into by the Company on a "no admit or deny" basis, and the Company will not be restating its financial statements for any reporting period. The Company has agreed to pay a \$20 million civil penalty when the settlement is finalized, and this amount has been fully reserved in the Company's financial statements. The Company will continue to cooperate with the SEC to document the settlement terms, and the settlement remains subject to approval by the Commission and federal court as required.
- In January 2012, the United States District Court for the Eastern District of Pennsylvania unsealed a first amended *qui tam* complaint filed in August 2011 by an individual relator, who is described in the complaint as having once been employed by a firm providing pharmacy prescription benefit audit and recovery services. The complaint seeks monetary damages and alleges that Caremark's processing of Medicare claims on behalf of one of its clients violated the federal false claims act. The United States, acting through the U.S. Attorney's Office in Philadelphia, Pennsylvania, declined to intervene in the lawsuit. Caremark filed a motion to dismiss the amended complaint and the DOJ filed a Statement of Interest with regard to Caremark's motion to dismiss. In December 2012, the court denied Caremark's motion to dismiss the amended complaint.
- In January 2012, the Company received a subpoena from the OIG requesting information about its Health Savings Pass program, a prescription drug discount program for uninsured or underinsured individuals, in connection with an investigation of possible false or otherwise improper claims for payment involving HHS programs. In February 2012, the Company also received a civil investigative demand from the Office of the Attorney General of the State of Texas.

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Notes to Consolidated Financial Statements (continued)

requesting a copy of information produced under this OIG subpoena and other information related to prescription drug claims submitted by the Company's pharmacies to Texas Medicaid for reimbursement. The Company is providing documents and other information in response to these requests for information.

- A purported shareholder derivative action was filed on behalf of nominal defendant CVS Caremark Corporation against certain of the Company's officers and members of its Board of Directors. The action, which alleged a single claim for breach of fiduciary duty relating to the Company's alleged failure to properly implement internal regulatory controls to comply with the Controlled Substances Act and the Combat Methamphetamine Epidemic Act, was originally filed in June 2012. In addition, an amended complaint was filed in November 2012 and a Supplemental Complaint was filed in April 2013. In October 2013, the court granted the Company's motion to dismiss and entered judgment dismissing the action, without prejudice. Following dismissal of the action, the same purported shareholder sent a letter to the Company's Board of Directors demanding that the Board investigate her allegations and pursue legal action against certain directors and officers of the Company. A committee of the Board of Directors is conducting a review and intends to respond to the letter as appropriate.
- In November 2012, the Company received a subpoena from the OIG requesting information concerning automatic refill programs used by pharmacies to refill prescriptions for customers. The Company has been cooperating and providing documents and other information in response to this request for information.

The Company is also a party to other legal proceedings, inquiries and audits arising in the normal course of its business, none of which is expected to be material to the Company. The Company can give no assurance, however, that its business, financial condition and results of operations will not be materially adversely affected, or that the Company will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to the Company's business, the pharmacy services, retail pharmacy or retail clinic industries or to the health care industry generally; (iii) pending or future federal or state governmental investigations of the Company's business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) institution of government enforcement actions against the Company; (v) adverse developments in any pending *qui tam* lawsuit against the Company, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against the Company; or (vi) adverse developments in other pending or future legal proceedings against the Company or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

13 Segment Reporting

The Company currently has three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate.

The Company evaluates its Pharmacy Services and Retail Pharmacy segment performance based on net revenue, gross profit and operating profit before the effect of certain intersegment activities and charges. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of discontinued operations and certain intersegment activities and charges. See Note 1 for a description of the Pharmacy Services, Retail Pharmacy and Corporate segments and related significant accounting policies.

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Notes to Consolidated Financial Statements (continued)

The following table is a reconciliation of the Company's business segments to the consolidated financial statements:

| <i>In millions</i> | Pharmacy Services Segment ⁽¹⁾ | Retail Pharmacy Segment ⁽²⁾ | Corporate Segment | Intersegment Eliminations ⁽³⁾ | Consolidated Totals |
|-------------------------------------|---|---|----------------------|---|------------------------|
| 2013: | | | | | |
| Net revenues | \$ 76,208 | \$ 65,618 | \$ — | \$ (15,065) | \$ 126,761 |
| Gross profit | 4,237 | 20,112 | — | (566) | 23,783 |
| Operating profit | 3,086 | 6,268 | (751) | (566) | 8,037 |
| Depreciation and amortization | 560 | 1,217 | 93 | — | 1,870 |
| Total assets | 38,343 | 30,191 | 4,420 | (1,428) | 71,526 |
| Goodwill | 19,658 | 6,884 | — | — | 26,542 |
| Additions to property and equipment | 313 | 1,610 | 61 | — | 1,984 |
| 2012: | | | | | |
| Net revenues | \$ 73,444 | \$ 63,641 | \$ — | \$ (13,965) | \$ 123,120 |
| Gross profit | 3,808 | 19,091 | — | (411) | 22,488 |
| Operating profit | 2,679 | 5,636 | (694) | (411) | 7,210 |
| Depreciation and amortization | 517 | 1,153 | 83 | — | 1,753 |
| Total assets | 36,057 | 29,492 | 1,408 | (736) | 66,221 |
| Goodwill | 19,646 | 6,749 | — | — | 26,395 |
| Additions to property and equipment | 422 | 1,555 | 53 | — | 2,030 |
| 2011: | | | | | |
| Net revenues | \$ 58,874 | \$ 59,579 | \$ — | \$ (11,373) | \$ 107,080 |
| Gross profit | 3,279 | 17,469 | — | (186) | 20,562 |
| Operating profit | 2,220 | 4,913 | (616) | (186) | 6,331 |
| Depreciation and amortization | 433 | 1,060 | 75 | — | 1,568 |
| Total assets | 35,704 | 28,632 | 1,121 | (605) | 64,852 |
| Goodwill | 19,657 | 6,801 | — | — | 26,458 |
| Additions to property and equipment | 461 | 1,353 | 58 | — | 1,872 |

(1) Net revenues of the Pharmacy Services Segment include approximately \$7.9 billion, \$6.4 billion and \$7.9 billion of Retail co-payments for the years ended December 31, 2013, 2012 and 2011, respectively.

(2) Intersegment eliminations relate to two types of transactions: (i) Intersegment revenues that occur when Pharmacy Services Segment clients use Retail Pharmacy Segment stores to purchase covered products. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue on a standalone basis and (ii) Intersegment revenues, gross profit and operating profit that occur when Pharmacy Services Segment clients, through the Company's intersegment activities (such as the Maintenance Choice program), elect to pick up their maintenance prescriptions at Retail Pharmacy Segment stores instead of receiving them through the mail. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue, gross profit and operating profit on a standalone basis. Beginning in the fourth quarter of 2011, the Maintenance Choice eliminations reflect all discounts available for the purchase of mail order prescription drugs. The following amounts are eliminated in consolidation in connection with the net (i) intersegment activity, net revenues of \$4.3 billion, \$3.4 billion and \$2.6 billion for the years ended December 31, 2013, 2012 and 2011, respectively, gross profit and operating profit of \$566 million, \$411 million and \$186 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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Notes to Consolidated Financial Statements (continued)

14 Earnings Per Common Share

The following is a reconciliation of basic and diluted earnings per common share for the respective years:

| <i>In millions, except per share amounts</i> | 2013 | 2012 | 2011 |
|---|-----------|-----------|-----------|
| Numerator for earnings per common share calculation: | | | |
| Income from continuing operations | \$ 4,600 | \$ 3,869 | \$ 3,489 |
| Net loss attributable to noncontrolling interest | — | 2 | 4 |
| Income from continuing operations attributable to CVS Caremark, basic | 4,600 | 3,871 | 3,493 |
| Loss from discontinued operations, net of tax | (8) | (7) | (31) |
| Net income attributable to CVS Caremark, basic and diluted | \$ 4,592 | \$ 3,864 | \$ 3,462 |
| Denominator for earnings per common share calculation: | | | |
| Weighted average common shares, basic | 1,217 | 1,271 | 1,338 |
| Stock options | 8 | 8 | 8 |
| Restricted stock units | 1 | 1 | 1 |
| Weighted average common shares, diluted | 1,226 | 1,280 | 1,347 |
| Basic earnings per common share: | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.78 | \$ 3.05 | \$ 2.61 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Net income attributable to CVS Caremark | \$ 3.77 | \$ 3.04 | \$ 2.59 |
| Diluted earnings per common share: | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.75 | \$ 3.02 | \$ 2.59 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) |
| Net income attributable to CVS Caremark | \$ 3.74 | \$ 3.02 | \$ 2.57 |

15 Subsequent Event

On January 16, 2014, the Company acquired Coram LLC ("Coram"), the specialty infusion services and enteral nutrition business unit of Apria Healthcare Group Inc. for approximately \$2.1 billion. Coram is one of the nation's largest providers of comprehensive infusion services, caring for approximately 165,000 patients annually. Coram has approximately 4,600 employees, including approximately 600 nurses and 250 dietitians, operating primarily through 85 branch locations and six centers of excellence for patient intake. Coram's results of operations will be included in the Company's Pharmacy Services Segment beginning January 16, 2014.

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Notes to Consolidated Financial Statements (continued)

16 Quarterly Financial Information (Unaudited)

| <i>In millions, except per share amounts</i> | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|--|------------------|-------------------|------------------|-------------------|------------|
| 2013: | | | | | |
| Net revenues | \$ 30,751 | \$ 31,248 | \$ 31,932 | \$ 32,830 | \$ 126,761 |
| Gross profit | 5,577 | 5,841 | 6,027 | 6,338 | 23,783 |
| Operating profit | 1,694 | 1,972 | 2,154 | 2,217 | 8,037 |
| Income from continuing operations | 954 | 1,125 | 1,255 | 1,266 | 4,600 |
| Loss from discontinued operations, net of tax | — | (1) | (6) | (1) | (8) |
| Net income | 954 | 1,124 | 1,249 | 1,265 | 4,592 |
| Net loss attributable to noncontrolling interest | — | — | — | — | — |
| Net income attributable to CVS Caremark | \$ 954 | \$ 1,124 | \$ 1,249 | \$ 1,265 | \$ 4,592 |
| Basic earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 0.77 | \$ 0.92 | \$ 1.03 | \$ 1.06 | \$ 3.78 |
| Loss from discontinued operations attributable to CVS Caremark | \$ — | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income attributable to CVS Caremark | \$ 0.77 | \$ 0.92 | \$ 1.03 | \$ 1.06 | \$ 3.77 |
| Diluted Earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 0.77 | \$ 0.91 | \$ 1.02 | \$ 1.05 | \$ 3.75 |
| Loss from discontinued operations attributable to CVS Caremark | \$ — | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income attributable to CVS Caremark | \$ 0.77 | \$ 0.91 | \$ 1.02 | \$ 1.05 | \$ 3.74 |
| Dividends per common share | \$ 0.2250 | \$ 0.2250 | \$ 0.2250 | \$ 0.2250 | \$ 0.9000 |
| Stock price: (New York Stock Exchange) | | | | | |
| High | \$ 56.07 | \$ 60.70 | \$ 62.36 | \$ 71.99 | \$ 71.99 |
| Low | \$ 49.00 | \$ 53.94 | \$ 56.68 | \$ 56.32 | \$ 49.00 |

Notes to Consolidated Financial Statements (continued)

| <i>In millions, except per share amounts</i> | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|---|------------------|-------------------|------------------|-------------------|------------|
| 2012: | | | | | |
| Net revenues | \$ 30,792 | \$ 30,694 | \$ 30,237 | \$ 31,397 | \$ 123,120 |
| Gross profit | 5,106 | 5,443 | 5,645 | 6,294 | 22,488 |
| Operating profit | 1,397 | 1,702 | 1,812 | 2,299 | 7,210 |
| Income from continuing operations | 772 | 962 | 1,010 | 1,125 | 3,869 |
| Income (loss) from discontinued operations, net of tax | (1) | (1) | (5) | — | (7) |
| Net income | 771 | 961 | 1,005 | 1,125 | 3,862 |
| Net loss attributable to noncontrolling interest | 1 | 1 | — | — | 2 |
| Net income attributable to CVS Caremark | \$ 772 | \$ 962 | \$ 1,005 | \$ 1,125 | \$ 3,864 |
| Basic earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 0.60 | \$ 0.75 | \$ 0.80 | \$ 0.91 | \$ 3.05 |
| Income (loss) from discontinued operations attributable to CVS Caremark | \$ — | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income attributable to CVS Caremark | \$ 0.59 | \$ 0.75 | \$ 0.79 | \$ 0.91 | \$ 3.04 |
| Diluted Earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 0.59 | \$ 0.75 | \$ 0.79 | \$ 0.90 | \$ 3.02 |
| Income (loss) from discontinued operations attributable to CVS Caremark | \$ — | \$ — | \$ — | \$ — | \$ (0.01) |
| Net income attributable to CVS Caremark | \$ 0.59 | \$ 0.75 | \$ 0.79 | \$ 0.90 | \$ 3.02 |
| Dividends per common share | \$ 0.1625 | \$ 0.1625 | \$ 0.1625 | \$ 0.1625 | \$ 0.650 |
| Stock price: (New York Stock Exchange) | | | | | |
| High | \$ 45.88 | \$ 46.93 | \$ 48.69 | \$ 49.80 | \$ 49.80 |
| Low | \$ 41.01 | \$ 43.08 | \$ 43.65 | \$ 44.33 | \$ 41.01 |

See Note 1 - Significant Accounting Policies (Revenue Recognition - Retail Pharmacy Segment).

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Five-Year Financial Summary

| <i>In millions, except per share amounts</i> | 2013 | 2012 ⁽¹⁾ | 2011 | 2010 | 2009 |
|--|------------|---------------------|------------|-----------|-----------|
| Statement of operations data: | | | | | |
| Net revenues | \$ 126,761 | \$ 123,120 | \$ 107,080 | \$ 95,766 | \$ 98,144 |
| Gross profit | 23,783 | 22,488 | 20,562 | 20,215 | 20,348 |
| Operating expenses | 15,746 | 15,278 | 14,231 | 14,082 | 13,933 |
| Operating profit | 8,037 | 7,210 | 6,331 | 6,133 | 6,415 |

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Interest expense, net | 509 | 557 | 584 | 536 | 525 |
| Loss on early extinguishment of debt | — | 348 | — | — | — |
| Income tax provision ⁽¹⁾ | 2,928 | 2,436 | 2,258 | 2,178 | 2,196 |
| Income from continuing operations | 4,600 | 3,869 | 3,489 | 3,419 | 3,694 |
| Income (loss) from discontinued operations, net of tax benefit ⁽²⁾ | (8) | (7) | (31) | 2 | (4) |
| Net income | 4,592 | 3,862 | 3,458 | 3,421 | 3,690 |
| Net loss attributable to noncontrolling interest ⁽³⁾ | — | 2 | 4 | 3 | — |
| Net income attributable to CVS Caremark | \$ 4,592 | \$ 3,864 | \$ 3,462 | \$ 3,424 | \$ 3,690 |
| Per common share data: | | | | | |
| Basic earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.78 | \$ 3.05 | \$ 2.61 | \$ 2.50 | \$ 2.58 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |
| Net income attributable to CVS Caremark | \$ 3.77 | \$ 3.04 | \$ 2.59 | \$ 2.50 | \$ 2.57 |
| Diluted earnings per common share: | | | | | |
| Income from continuing operations attributable to CVS Caremark | \$ 3.75 | \$ 3.02 | \$ 2.59 | \$ 2.49 | \$ 2.55 |
| Loss from discontinued operations attributable to CVS Caremark | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ — | \$ — |
| Net income attributable to CVS Caremark | \$ 3.74 | \$ 3.02 | \$ 2.57 | \$ 2.49 | \$ 2.55 |
| Cash dividends per common share | \$ 0.900 | \$ 0.650 | \$ 0.500 | \$ 0.350 | \$ 0.305 |
| Balance sheet and other data: | | | | | |
| Total assets | \$ 71,526 | \$ 66,221 | \$ 64,852 | \$ 62,457 | \$ 61,919 |
| Long-term debt | \$ 12,841 | \$ 9,133 | \$ 9,208 | \$ 8,652 | \$ 8,755 |
| Total shareholders' equity | \$ 37,938 | \$ 37,653 | \$ 38,014 | \$ 37,662 | \$ 35,732 |
| Number of stores (at end of year) | 7,702 | 7,508 | 7,388 | 7,248 | 7,095 |

See Note 1 to the consolidated financial statements - Significant Accounting Policies (Revenue Recognition - Retail Pharmacy Segment) to the consolidated financial statements.

- (1) Income tax provision includes the effect of the following: (i) in 2010, the recognition of \$17 million of previously unrecognized tax benefits, including interest, relating to the expiration of various statutes of limitation and settlements with tax authorities and (ii) in 2009, the recognition of \$167 million of previously unrecognized tax benefits, including interest, relating to the expiration of various statutes of limitation and settlements with tax authorities.
- (2) As discussed in Note 3 to the consolidated financial statements, the results of the TheraCom business are presented as discontinued operations and have been excluded from continuing operations for all periods presented. In connection with certain business dispositions completed between 1991 and 1997, the Company retained guarantees on store lease obligations for a number of former subsidiaries, including Linens 'n Things which filed for bankruptcy in 2008. The Company's income (loss) from discontinued operations includes lease-related costs which the Company believes it will likely be required to satisfy pursuant to its Linens 'n Things lease guarantees.

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Below is a summary of the results of discontinued operations:

In millions

| | Year Ended December 31, | | | | |
|--|-------------------------|--------|---------|-------|--------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Income from operations of TheraCom | \$ — | \$ — | \$ 18 | \$ 28 | \$ 13 |
| Gain on disposal of TheraCom | — | — | 53 | — | — |
| Loss on disposal of Linens 'n Things | (12) | (12) | (7) | (21) | (19) |
| Income tax benefit (provision) | 4 | 5 | (95) | (2) | 2 |
| Income (loss) from discontinued operations, net of tax | \$ (8) | \$ (7) | \$ (31) | \$ 2 | \$ (4) |

- (3) Represents the minority shareholders' portion of the net loss from our majority-owned subsidiary, Generation Health, Inc., acquired in the fourth quarter of 2009. In June 2012, the Company acquired the remaining 40% interest in Generation Health, Inc. from minority shareholders and employee option holders for \$26 million and \$5 million, respectively, for a total of \$31 million.
- (4) Effective January 1, 2012, the Company changed its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment. Additional details of the accounting change are discussed in Note 2 to the consolidated financial statements.

Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of CVS Caremark Corporation

We have audited the accompanying consolidated balance sheets of CVS Caremark Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CVS Caremark Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company has elected changes in its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment effective January 1, 2012.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CVS Caremark Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 10, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 10, 2014

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Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

As of December 31, 2013, CVS Caremark Corporation had the following significant subsidiaries:

Caremark, L.L.C. (a California limited liability company)
 CaremarkPCS Health, L.L.C. (a Delaware limited liability company)
 Caremark PhC, L.L.C. (a Delaware limited liability company)
 Caremark Rx, L.L.C. (a Delaware limited liability company)⁴
 CVS Albany, L.L.C. (a New York limited liability company)
 CVS Caremark Part D Services, L.L.C. (a Delaware limited liability company)
 CVS Pharmacy, Inc. (a Rhode Island corporation)⁴
 Drogaria Onofre Ltda. (a Brazil limited liability company)
 Garfield Beach CVS, L.L.C. (a California limited liability company)
 Holiday CVS, L.L.C. (a Florida limited liability company)
 Longs Drug Stores California, L.L.C. (a California limited liability company)
 MemberHealth LLC (a Delaware limited liability company)
 Pennsylvania CVS Pharmacy, L.L.C. (a Pennsylvania limited liability company)
 RxAmerica, L.L.C. (a Delaware limited liability company)
 SilverScript Insurance Company (a Tennessee corporation)

- (1) Caremark Rx, L.L.C., the parent of the Registrant's pharmacy services subsidiaries, is the immediate or indirect parent of several mail order, specialty mail and retail specialty pharmacy subsidiaries, all of which operate in the United States and its territories.
 (2) CVS Pharmacy, Inc. is the immediate or indirect parent of approximately 45 entities that operate drugstores, all of which drugstores are in the United States and its territories.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 No. 333-165672) of CVS Caremark Corporation, and
 (2) Registration Statements (Form S-8 Nos. 333-49407, 333-34927, 333-28043, 333-91253, 333-63664, 333-139470, 333-141481 and 333-167746) of CVS Caremark Corporation; of our reports dated February 10, 2014, with respect to the consolidated financial statements of CVS Caremark Corporation and the effectiveness of internal control over financial reporting of CVS Caremark Corporation, incorporated by reference in this Annual Report (Form 10-K) of CVS Caremark Corporation for the year ended December 31, 2013, and to the reference to our firm under the heading "Selected Financial Data", included therein.

/s/ Ernst & Young LLP

Boston, Massachusetts
 February 10, 2014

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Larry J. Merlo, President and Chief Executive Officer of CVS Caremark Corporation, certify that:

- I have reviewed this annual report on Form 10-K of CVS Caremark Corporation;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Exhibit 31.2

Date: February 10, 2014

By: /s/ LARRY J. MERLO

Larry J. Merlo
 President and
 Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David M. Denton, Executive Vice President and Chief Financial Officer of CVS Caremark Corporation, certify that:

- I have reviewed this annual report on Form 10-K of CVS Caremark Corporation;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Exhibit 32.1

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(e) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of CVS Caremark Corporation (the "Company") on Form 10-K for the period ended December 31, 2013 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Larry J. Merlo, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of CVS Caremark Corporation (the "Company") on Form 10-K for the period ended December 31, 2013 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, David M. Denton, Executive Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

Date: February 10, 2014

By: /s/ DAVID M. DENTON

David M. Denton

Executive Vice President and Chief Financial Officer

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and 2107100 - Disclosure - Borrowing and Credit Agreements link:presentationLink link:calculationLink link:definitionLink 2407402 -
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 10, 2014

/s/ LARRY J. MERLO

Larry J. Merlo

President and
Chief Executive Officer

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and Disclosure - Borrowing and Credit Agreements (Details) link:presentationLink link:calculationLink link:definitionLink 2307301 -
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

February 10, 2014

/s/ DAVID M. DENTON

David M. Denton

Executive Vice President and Chief Financial Officer

Disclosure - Borrowing and Credit Agreements (Tables) link:presentationLink link:calculationLink link:definitionLink 2102100 - Disclosure - Changes in Accounting Principle link:presentationLink link:calculationLink link:definitionLink 2402401 - Disclosure - Changes in Accounting Principle (Details) link:presentationLink link:calculationLink link:definitionLink 2113100 - Disclosure - Commitments and Contingencies link:presentationLink link:calculationLink link:definitionLink 2413401 - Disclosure - Commitments and Contingencies (Details) link:presentationLink link:calculationLink link:definitionLink 1003000 - Statement - Consolidated Balance Sheets link:presentationLink link:calculationLink link:definitionLink 1003501 - Statement - Consolidated Balance Sheets (Parenthetical) link:presentationLink link:calculationLink link:definitionLink 1004000 - Statement - Consolidated Statements of Cash Flows link:presentationLink link:calculationLink link:definitionLink 1002000 - Statement - Consolidated Statements of Comprehensive Income link:presentationLink link:calculationLink link:definitionLink 1001000 - Statement - Consolidated Statements of Income link:presentationLink link:calculationLink link:definitionLink 1005000 - Statement - Consolidated Statements of Shareholders' Equity link:presentationLink link:calculationLink link:definitionLink 2104100 - Disclosure - Discontinued Operations link:presentationLink link:calculationLink link:definitionLink 2404402 - Disclosure - Discontinued Operations (Details) link:presentationLink link:calculationLink link:definitionLink 2304301 - Disclosure - Discontinued Operations (Tables) link:presentationLink link:calculationLink link:definitionLink 0001000 - Document - Document and Entity Information link:presentationLink link:calculationLink link:definitionLink 2115100 - Disclosure - Earnings Per Common Share link:presentationLink link:calculationLink link:definitionLink 2415402 - Disclosure - Earnings Per Common Share (Details) link:presentationLink link:calculationLink link:definitionLink 2315301 - Disclosure - Earnings Per Common Share (Tables) link:presentationLink link:calculationLink link:definitionLink 2105100 - Disclosure - Goodwill and Other Intangibles link:presentationLink link:calculationLink link:definitionLink 2405402 - Disclosure - Goodwill and Other Intangibles (Details) link:presentationLink link:calculationLink link:definitionLink 2305301 - Disclosure - Goodwill and Other Intangibles (Tables) link:presentationLink link:calculationLink link:definitionLink 2112100 - Disclosure - Income Taxes (Details) link:presentationLink link:calculationLink link:definitionLink 2312301 - Disclosure - Income Taxes (Tables) link:presentationLink link:calculationLink link:definitionLink 2412402 - Disclosure - Income Taxes (Details) link:presentationLink link:calculationLink link:definitionLink 2312301 - Disclosure - Income Taxes (Tables) link:presentationLink link:calculationLink link:definitionLink 2108100 - Disclosure - Leases link:presentationLink link:calculationLink link:definitionLink 2408402 - Disclosure - Leases (Details) link:presentationLink link:calculationLink link:definitionLink 2308301 - Disclosure - Leases (Tables) link:presentationLink link:calculationLink link:definitionLink 2109100 - Disclosure - Medicare Part D link:presentationLink link:calculationLink link:definitionLink 2409401 - Disclosure - Medicare Part D (Details) link:presentationLink link:calculationLink link:definitionLink 2110100 - Disclosure - Pension Plans and Other Postretirement Benefits link:presentationLink link:calculationLink link:definitionLink 2410401 - Disclosure - Pension Plans and Other Postretirement Benefits (Details) link:presentationLink link:calculationLink link:definitionLink 2117100 - Disclosure - Quarterly Financial Information (Unaudited) link:presentationLink link:calculationLink link:definitionLink 2417402 - Disclosure - Quarterly Financial Information (Unaudited) (Details) link:presentationLink link:calculationLink link:definitionLink 2317301 - Disclosure - Quarterly Financial Information (Unaudited) (Tables) link:presentationLink link:calculationLink link:definitionLink 2114100 - Disclosure - Segment Reporting link:presentationLink link:calculationLink link:definitionLink 2414402 - Disclosure - Segment Reporting (Details) link:presentationLink link:calculationLink link:definitionLink 2314301 - Disclosure - Segment Reporting (Tables) link:presentationLink link:calculationLink link:definitionLink 2106100 - Disclosure - Share Repurchase Programs link:presentationLink link:calculationLink link:definitionLink 2406401 - Disclosure - Share Repurchase Programs (Details) link:presentationLink link:calculationLink link:definitionLink 2101100 - Disclosure - Significant Accounting Policies link:presentationLink link:calculationLink link:definitionLink 2401403 - Disclosure - Significant Accounting Policies (Details) link:presentationLink link:calculationLink link:definitionLink 2401405 - Disclosure - Significant Accounting Policies (Details 2) link:presentationLink link:calculationLink link:definitionLink 2401405 - Disclosure - Significant Accounting Policies (Details 3) link:presentationLink link:calculationLink link:definitionLink 2401406 - Disclosure - Significant Accounting Policies (Details 4) link:presentationLink link:calculationLink link:definitionLink 2401407 - Disclosure - Significant Accounting Policies (Details 5) link:presentationLink link:calculationLink link:definitionLink 2401408 - Disclosure - Significant Accounting Policies (Details 6) link:presentationLink link:calculationLink link:definitionLink 2201201 - Disclosure - Significant Accounting Policies (Policies) link:presentationLink link:calculationLink link:definitionLink 2301302 - Disclosure - Significant Accounting Policies (Tables) link:presentationLink link:calculationLink link:definitionLink 2111100 - Disclosure - Stock Incentive Plans link:presentationLink link:calculationLink link:definitionLink 2411402 - Disclosure - Stock Incentive Plans (Details) link:presentationLink link:calculationLink link:definitionLink 2411403 - Disclosure - Stock Incentive Plans (Details 2) link:presentationLink link:calculationLink link:definitionLink 2411404 - Disclosure - Stock Incentive Plans (Details 3) link:presentationLink link:calculationLink link:definitionLink

ATTACHMENT, SECTION A, ITEM 4.3

CORAM ALTERNATE SITE SERVICES, INC.

**HOME HEALTH AGENCY LICENSE
MIDDLE TENNESSEE**

Board for Licensing Health Care Facilities



State of

Tennessee

License No. 0000000624

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

CORAM ALTERNATE SITE SERVICES, INC.

to conduct and maintain a

Home Care Organization

CORAM SPECIALTY INFUSION SERVICES

Located at

2970 SIDCO DRIVE, NASHVILLE

County of

DAVIDSON

, Tennessee.

This license shall expire JANUARY 30, 2014, *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 30TH *day of* JANUARY, 2013.
In the District Category(ies) of: SKILLED NURSING



By

Theris J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By

M. J. Daph

COMMISSIONER

ATTACHMENT, SECTION A, ITEM 4.4

CORAM ALTERNATE SITE SERVICES, INC.

**CORAM LOCAL BRANCH
FINANCIAL STATEMENTS**

Summary P&L**Coram Inc.****Base and AIS****Actual/Budget****Memphis****2011****2012****2013****Net Revenue**

| | | | |
|-------------------------|------------------|------------------|------------------|
| TPN | 1,185,848 | 954,146 | 591,902 |
| Antibiotic | 1,296,741 | 1,394,196 | 1,326,836 |
| Cardiovascular | 85,526 | 213,079 | 147,110 |
| Pain Management | 34,588 | 29,439 | 50,040 |
| Core Branch | 2,602,703 | 2,590,860 | 2,115,887 |
| IVIG | 816,021 | 865,754 | 1,177,407 |
| SQIG | 641,656 | 535,543 | 429,895 |
| Alpha-1 | 1,689,410 | 1,471,402 | 1,569,197 |
| Enzymes | 0 | 0 | 0 |
| Remicade/RA | 0 | 0 | 0 |
| Tysabri | 0 | 0 | 0 |
| Biotherapy | 0 | 0 | 0 |
| Other Specialty | (19) | 0 | 12,228 |
| Specialty Branch | 3,147,068 | 2,872,698 | 3,188,726 |
| Non-Core Therapy | 218,151 | 116,938 | 49,891 |
| All Other | (10,827) | (16,468) | (15,266) |
| Net Revenue | 5,957,094 | 5,564,028 | 5,339,239 |

Patient Months

| | | | |
|-------------------------|--------------|--------------|--------------|
| TPN | 417 | 486 | 377 |
| Antibiotic | 621 | 540 | 488 |
| Cardiovascular | 19 | 35 | 31 |
| Pain Management | 38 | 40 | 41 |
| Core Branch | 1,095 | 1,101 | 937 |
| IVIG | 157 | 156 | 161 |
| Vivaglobin | 133 | 113 | 81 |
| Alpha-1 | 175 | 168 | 168 |
| Enzymes | 0 | 0 | 0 |
| Remicade | 0 | 0 | 0 |
| Tysabri | 0 | 0 | 0 |
| Biotherapy | 0 | 0 | 0 |
| Other Specialty | 6 | 5 | 2 |
| Specialty Branch | 471 | 442 | 412 |
| Non-Core Therapy | 382 | 261 | 183 |
| All Other | 0 | 0 | 0 |
| Patient Months | 1,948 | 1,804 | 1,532 |

Gross Prod Mgn**2,603,913****2,520,310****2,111,686****Gross Prod Mgn %****43.7%****45.3%****39.6%**

Summary P&L**Base and AIS****Memphis****Coram Inc.
Actual/Budget**

| | 2011 | 2012 | 2013 |
|--------------------------------|------------------|------------------|------------------|
| Nursing Total | | | |
| Total Labor | 225,440 | 245,342 | 143,477 |
| General Expenses | 18,685 | 1,300 | 7,253 |
| Total Nursing | 244,125 | 246,642 | 150,730 |
| % of Net Revenue | 4.1% | 4.4% | 2.8% |
| Pharmacy Total | | | |
| Total Labor | 674,280 | 821,719 | 784,547 |
| General Expenses | 20,992 | 12,695 | 16,062 |
| Total Pharmacy | 695,272 | 834,414 | 800,610 |
| % of Net Revenue | 11.7% | 15.0% | 15.0% |
| Warehouse | | | |
| Total Labor | 55,700 | 77,649 | 59,132 |
| General Expenses | 10,802 | 15,539 | 12,206 |
| Total Warehouse | 66,502 | 93,187 | 71,339 |
| % of Net Revenue | 1.1% | 1.7% | 1.3% |
| Delivery | | | |
| Total Labor | 0 | 0 | 0 |
| General Expenses | 84,487 | 81,107 | 68,903 |
| Total Delivery | 84,487 | 81,107 | 68,903 |
| % of Net Revenue | 1.4% | 1.5% | 1.3% |
| Branch Administration | | | |
| Total Labor | 190,189 | 86,228 | 93,617 |
| General Expenses | 27,071 | 25,326 | 16,671 |
| Total Branch Admin | 217,261 | 111,554 | 110,288 |
| % of Net Revenue | 3.6% | 2.0% | 2.1% |
| Facilities Branch | | | |
| Total Labor | 0 | 264 | 78 |
| General Expenses | 190,893 | 195,963 | 208,679 |
| Total Facilities Branch | 190,893 | 196,227 | 208,757 |
| % of Net Revenue | 3.2% | 3.5% | 3.9% |
| HPRs | | | |
| Total Labor | 42,632 | 49,414 | 87,098 |
| General Expenses | 0 | 675 | 868 |
| Total HPRs | 42,632 | 50,089 | 87,966 |
| % of Net Revenue | 0.7% | 0.9% | 1.6% |
| All Other (Dieticians) | | | |
| Total Labor | 28,464 | 27,083 | 26,605 |
| General Expenses | 294 | 85 | 117 |
| Total All Other | 28,759 | 27,168 | 26,723 |
| % of Net Revenue | 0.5% | 0.5% | 0.5% |
| Clinical Services | | | |
| Total Labor | 1,174,074 | 1,258,285 | 1,107,457 |
| General Expenses | 353,225 | 332,014 | 329,892 |
| Total Clinical Services | 1,527,299 | 1,590,299 | 1,437,350 |
| % of Net Revenue | 25.6% | 28.6% | 26.9% |

Summary P&L**Coram Inc.****Base and AIS****Actual/Budget****Memphis****2011****2012****2013****Admissions**

| | | | |
|-------------------------|----------|---------------|---------------|
| Total Labor | 0 | 24,089 | 52,635 |
| General Expenses | 0 | 549 | 0 |
| Total Admissions | 0 | 24,638 | 52,635 |
| % of Net Revenue | 0.0% | 0.4% | 1.0% |

PFS

| | | | |
|------------------|----------------|----------------|----------------|
| Total Labor | 185,256 | 209,299 | 205,371 |
| General Expenses | 19,665 | 22,084 | 24,933 |
| Total PFS | 204,920 | 231,384 | 230,305 |
| % of Net Revenue | 3.4% | 4.2% | 4.3% |

Selling

| | | | |
|----------------------|----------------|----------------|----------------|
| Total Labor | 143,320 | 171,288 | 171,238 |
| General Expenses | 15,882 | 24,610 | 21,534 |
| Total Selling | 159,202 | 195,898 | 192,772 |
| % of Net Revenue | 2.7% | 3.5% | 3.6% |

All Departments OpEx

| | | | |
|--------------------|------------------|------------------|------------------|
| Wages Expense | 1,200,437 | 1,344,974 | 1,269,676 |
| Benefits Expense | 158,361 | 179,422 | 162,459 |
| Bonus/Commission | 1,000 | 300 | 0 |
| Contract Labor | 142,851 | 138,265 | 119,790 |
| Enteral Chargeback | 0 | 0 | (15,225) |
| Severance Expense | 0 | 0 | 0 |
| Total Labor | 1,502,649 | 1,662,961 | 1,536,701 |
| % of Net Revenue | 25.2% | 29.9% | 28.8% |

| | | | |
|----------------------------|----------------|----------------|----------------|
| Marketing | 7,822 | 10,988 | 1,728 |
| Office Expenses | 24,319 | 29,097 | 25,832 |
| Rent and Cam | 79,760 | 94,354 | 105,466 |
| Utilities Total | 53,286 | 49,968 | 49,966 |
| Cleaning & Other Services | 4,378 | 5,982 | 5,928 |
| Shipping and Delivery | 85,546 | 84,968 | 70,827 |
| Equipment Expenses | 24,271 | 20,065 | 18,234 |
| Training/Education | 667 | 4,100 | 0 |
| Placement Fees/Recuiting | 397 | 233 | 209 |
| Travel and Entertainment | 32,219 | 27,500 | 29,289 |
| Professional Fees & Lic | 4,654 | 250 | 111 |
| Collection/Consulting Fees | 5,477 | 1,213 | 0 |
| Real Personal & Sales Tax | 19,530 | 16,791 | 22,732 |
| Insurance | 16,915 | 14,379 | 18,610 |
| Other General Expenses | 29,532 | 19,369 | 27,484 |
| General Expenses | 388,771 | 379,257 | 376,415 |
| % of Net Revenue | 6.5% | 6.8% | 7.0% |

Total All Depts OpEx

| | | | |
|------------------|------------------|------------------|------------------|
| | 1,891,420 | 2,042,218 | 1,913,116 |
| % of Net Revenue | 31.8% | 36.7% | 35.8% |

Bad Debt

| | | | |
|------------------|----------------|----------------|---------------|
| | 112,656 | 221,269 | 67,216 |
| % of Net Revenue | 1.9% | 4.0% | 1.3% |

EBITDA

| | | | |
|------------------|----------------|----------------|----------------|
| | 599,837 | 256,822 | 131,354 |
| % of Net Revenue | 10.1% | 4.6% | 2.5% |

Depreciation

| | | | |
|-------------------|----------------|----------------|----------------|
| | 19,365 | 10,392 | 12,001 |
| Net Income | 580,472 | 246,430 | 119,353 |

ATTACHMENT, SECTION A, ITEM 6.1
CORAM ALTERNATE SITE SERVICES, INC.
LEASE AGREEMENT

TENANT ACCEPTANCE OF DEMISED PREMISES AGREEMENT

THIS AGREEMENT made this 1st day of April, 1992 between Industrial Developments, Inc. (hereinafter referred to as "Landlord") and Baxter Healthcare Corp., DBA: Caremark, Inc. (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, Tenant and Landlord entered into a Lease, dated January 16, 1992, (hereinafter referred to as the "Lease") for 6,766 square feet of areas in the Project known as Century Center Business Park, and in the Building known as Building D, 1680 Century Center Parkway, Suite 12 (hereinafter referred to as the "Demised Premises").

NOW, THEREFORE, pursuant to the provisions of the Lease, Tenant and Landlord mutually agree as follows:

1. The Commencement Date of the Lease term is March 30, 1992. The expiration date of the Lease term is June 29, 1997. The Rent Commencement Date of the Lease term is September 30, 1992. JUNE 30, 1997 TEN
2. Tenant is in possession of, and has accepted, the Demised Premises, and acknowledges that all the work to be performed by the Landlord in the Demised Premises as required by the terms of this Lease, if any, have been satisfactorily completed. Tenant further certifies that all conditions of the Lease required of Landlord as of this date have been fulfilled and there are no defenses or setoffs against the enforcement of the Lease by Landlord.

IN WITNESS WHEREOF, the parties hereto have duly executed and sealed this Agreement, as of the date and year first above stated.

TENANT:

BY: Cindy Stots

ITS: Deputy Manager

BY: _____

ITS: _____

(Corporate Seal)

LANDLORD:

BY: THOMAS J. GUNTER

ITS: President

BY: THOMAS J. GUNTER

ITS: President

(Corporate Seal)

INDUSTRIAL LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made this 16th day of January, 1992 by and between INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC., a Delaware corporation ("Landlord"), and BAXTER HEALTHCARE CORP. ("Tenant") (the words "Landlord" and "Tenant" to include their respective legal representatives, successors and permitted assigns where the context requires or permits).

W I T N E S S E T H:

1. Basic Lease Provisions. The following constitute the "Basic Lease Provisions" of this Lease:

(a) Demised Premises Address: 1680 Century Center Parkway
Suite 12
Memphis, TN 38134

(b) Demised Premises Square Footage: 6,766

(c) Building Square Footage: 77,925

(d) Annual Minimum Rent:

| | | | |
|--------------|-------------|---------------|----------------|
| Lease Year 1 | \$49,053.48 | <u>9/1/92</u> | <u>8/31/93</u> |
| Lease Year 2 | \$50,745.00 | <u>9/1/93</u> | <u>8/31/94</u> |
| Lease Year 3 | \$52,436.52 | <u>9/1/94</u> | <u>8/31/95</u> |
| Lease Year 4 | \$54,128.04 | <u>9/1/95</u> | <u>8/31/96</u> |
| Lease Year 5 | \$55,819.56 | <u>9/1/96</u> | <u>8/31/97</u> |

(e) Monthly Minimum Rent Installments:

| | | |
|--------------|-------------|--|
| Lease Year 1 | \$ 4,087.79 | |
| Lease Year 2 | \$ 4,228.75 | |
| Lease Year 3 | \$ 4,369.71 | |
| Lease Year 4 | \$ 4,510.67 | |
| Lease Year 5 | \$ 4,651.63 | |

(f) Lease Commencement Date: March 1, 1992

(g) Minimum Rent Commencement Date: October 1, 1992 SEPTEMBER 1, 1992

(h) Termination Date: September 30, 1997 JUNE 30, 1997

(i) Term: 67 months 63 mos

(j) Tenant's Operating Expense Percentage: 8.7%

(k) Security Deposit:

(l) Date Tenant Must Approve Plans and Specifications For Improvements: Within five (5) business days after such plans and specifications have been submitted to Landlord for approval.

(m) Permitted Use: Office, warehouse, distribution and any other uses permitted in the light industrial (IL) zoning classification

(n) Address for notice:

Landlord: Industrial Developments International, Inc.
One Atlanta Plaza
950 East Paces Ferry Road, Suite 875
Atlanta, Georgia 30326
Attn: Vice President-Operations

Tenant: Baxter Healthcare Corp.
c/o Caremark, Inc.
455 Knightsbridge
Lincolnshire, IL
Attn:

(o) Broker(s): Trammell Crow Company
6000 Poplar Avenue
Memphis, TN 38119
Attn: Jeffery N. Haynes

INDUSTRIAL LEASE AGREEMENT

BETWEEN

INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC.

AS LANDLORD

AND

BAXTER HEALTHCARE CORP.

AS TENANT

DATED January 16, 1992

LEASE INDEX

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| 6 | Operating Expenses and Additional Rent |
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| | |
|-------------|--------------------------|
| Exhibit "A" | Site Plan |
| Exhibit "B" | Plans and Specifications |
| Exhibit "C" | Special Stipulations |
| Exhibit "D" | Rules and Regulations |

2. Demised Premises. For and in consideration of the rent hereinafter reserved and the mutual covenants hereinafter contained, Landlord does hereby lease and demise unto Tenant, and Tenant does hereby hire, lease and accept, from Landlord the following premises, referred to as the "Demised Premises": approximately 6,766 square feet of space, 4,700 square feet of which is office space, located within 1680 Century Center Parkway (the "Building"), which Building contains a total of 77,925 square feet and is located within Century Center Business Park (the "Project"), located in Shelby County, Tennessee as shown on the site plan attached hereto as Exhibit A and incorporated herein, all upon the terms and conditions hereinafter set forth.

3. Term. To have and to hold the Demised Premises for the term (the "Term") to commence on the Commencement Date set forth in 1(f) of the Basic Lease Provisions and to terminate on the Termination Date set forth in 1(g) of the Basic Lease Provisions, as the Termination Date may be extended pursuant to Section 17(b).

4. Minimum Rent. Tenant shall pay to Landlord as minimum rent for the Demised Premises, commencing on the Minimum Rent Commencement Date and continuing throughout the Term in lawful money of the United States the annual amount set forth in 1(d) of the Basic Lease Provisions payable in equal monthly installments as set forth in 1(e) of the Basic Lease Provisions (the "Minimum Rent"), payable in advance, without demand and without abatement, reduction, set-off or deduction, on the first day of each calendar month during the Term. Tenant shall pay to Landlord the first month's Minimum Rent due hereunder upon execution of this Lease by both parties. If the Commencement Date of the Term shall fall on a day other than the first day of a calendar month, the Minimum Rent shall be apportioned pro rata on a per diem basis for the period between such Commencement Date and the first day of the following calendar month and such apportioned sum shall be paid on the Commencement Date.

5. Security Deposit. Upon execution of this Lease by both parties, Tenant will pay to Landlord the sum set forth in 1(k) of the Basic Lease Provisions as security for the full and faithful performance by Tenant of each and every term, covenant and condition of this Lease. In the event that Tenant is in default under this Lease, or fails to perform any of the terms, provisions and conditions of this Lease, Landlord may use, apply, or retain the whole or any part of the security so deposited for the payment of any sum due Landlord or which Landlord may expend or be required to expend by reason of the Tenant's default or failure to perform, including, but not limited to, any damages or deficiency in the reletting of the Demised Premises; provided, however, that any such use, application or retention by Landlord of the whole or any part of the security deposit shall not be or be deemed to be an election of remedies by Landlord or viewed as liquidated damages, it being expressly understood and agreed that, notwithstanding such use, application or retention, Landlord shall have the right to pursue any and all other remedies available to it under the terms of this Lease or otherwise. In the event that Tenant shall comply with all of the terms, covenants and conditions of this Lease, the security deposit shall be returned to Tenant within thirty (30) days after compliance has been ascertained by Landlord and after delivery of possession of the Demised Premises to Landlord. In the event of a sale of the Building, Landlord shall have the right to transfer the security deposit to the purchaser, and Landlord shall thereupon be released from all liability for the return of such security deposit. Tenant shall look solely to the new landlord for the return of such security deposit. Tenant shall not assign or encumber the money deposited as security, and neither Landlord nor its successors or assigns shall be bound by any such assignment or encumbrance.

6. Operating Expenses and Additional Rent.

(a) "Operating Expenses" shall be defined as all expenses for operation, repair, replacement and maintenance as necessary to keep the Building and the common areas, grounds, and parking areas associated therewith in good order, condition and repair, including but not limited to, utilities for the common areas of and relating to the Building, expenses associated with the driveways and parking areas (including repaving and snow, trash and ice removal), security systems, lighting facilities, landscaped areas, walkways, directional signage, curbs, drainage strips, sewer lines, all charges assessed against the Building pursuant to any applicable easements, covenants or development standards, administrative fees (including property management fees and attorneys' fees), all real property taxes and special assessments imposed upon the land on which the Building is constructed, and all insurance premiums paid by Landlord with respect to the Building, including public liability insurance. Operating Expenses shall not include expenses for the costs of any maintenance and repair required to be performed by Landlord at its own expense under Section 10(b). Further, Operating Expenses shall not include the costs for capital improvements unless such costs are incurred for the purpose of causing a material decrease in the Operating Expenses of the Building, or are required by any governmental authority because of the specific use by Tenant of the Demised Premises. In the event the Operating Expenses incurred by Landlord in any calendar year during the Term exceed an amount equal to \$50 multiplied by the number of square feet within the Building as set forth in Section 2, Tenant will pay to Landlord its proportionate share of such excess. The proportionate share of Operating Expenses to be paid by Tenant shall be a percentage of such excess based upon the proportion that the square footage of the Demised Premises bears to the total square footage of the Building (such figure referred to as "Tenant's Operating Expense Percentage" and set forth in 1(j) of the Basic Lease Provisions). Landlord shall estimate the total amount of Operating Expenses to be paid by Tenant during each calendar year promptly after the beginning of each calendar year during the Term, and Tenant shall pay to Landlord one-twelfth (1/12) of such sum on the first day of each calendar month during each such calendar year, or part thereof, during the Term. Within a reasonable time after the end of each calendar year, Landlord shall submit to Tenant a statement of the actual amount of Operating Expenses for such calendar year, and the actual amount owed by Tenant, and within thirty (30) days after receipt of such statement, Tenant shall pay any deficiency between the actual amount owed and the estimates paid during such calendar year, or in the event of overpayment, Landlord shall credit the amount of such overpayment toward the next installment of Operating Expenses owed by Tenant. If the Commencement Date shall fall on other than the first day of the calendar year, and/or if the Termination Date shall fall on other than the last day of the calendar year, Tenant's share of the Operating Expenses for such calendar year shall be apportioned prorata.

(b) Any amounts required to be paid by Tenant hereunder and any charges or expenses incurred by Landlord on behalf of Tenant under the terms of this Lease shall be considered "Additional Rent" payable in the same manner and upon the same terms and conditions as the

with any amount in excess of such installment promptly refunded to Tenant

Minimum Rent reserved hereunder. Any failure on the part of Tenant to pay such Additional Rent when and as the same shall become due shall entitle Landlord to the remedies available to it for non-payment of Minimum Rent. Tenant's obligations for payment of Additional Rent shall begin to accrue on the Lease Commencement Date regardless of the Minimum Rent Commencement Date.

(c) If applicable in the jurisdiction where the Demised Premises are located, Tenant shall pay and be liable for all rental, sales, use and inventory taxes or other similar taxes, if any, levied or imposed by any city, state, county or other governmental body having authority, such payments to be in addition to all other payments required to be paid Landlord by Tenant under the terms of this Lease. Such payment shall be made by Tenant directly to such governmental body if billed to Tenant, or if billed to Landlord, such payment shall be paid concurrently with the payment of the Minimum Rent, Additional Rent, or such other charge upon which the tax is based, all as set forth herein.

7. Use of Demised Premises.

(a) The Demised Premises shall be used for the Permitted Use set forth in 1(m) of the Basic Lease Provisions and for no other purpose.

(b) Tenant will permit no liens to attach or exist against the Demised Premises, and shall not commit any waste.

(c) The Demised Premises shall not be used for any illegal purposes, and Tenant shall not allow, suffer, or permit any vibration, noise, odor, light or other effect to occur within or around the Demised Premises that could constitute a nuisance or trespass for Landlord or any occupant of an adjoining building, its customers, agents, or invitees. Upon notice by Landlord to Tenant that any of the aforesaid prohibited uses are occurring, Tenant agrees forthwith to remove or control the same.

(d) Tenant shall not in any way violate any law, ordinance or restrictive covenant affecting the Demised Premises, and shall not in any manner use the Demised Premises so as to cause cancellation of, prevent the use of ~~or increase the rate of~~ the fire and extended coverage insurance policy required hereunder.

(e) In the event said insurance rates are increased over the least hazardous rate available due to the nature of the use of the Demised Premises by Tenant, said increased amounts shall also be paid by Tenant as Additional Rent.

8. Insurance.

(a) Tenant covenants and agrees that from and after the date of delivery of the Demised Premises from Landlord to Tenant, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:

(i) Liability insurance in the Commercial General Liability form (or reasonable equivalent thereto) covering the Demised Premises and Tenant's use thereof against claims for personal injury or death, property damage and product liability occurring upon, in or about the Demised Premises, such insurance to be written on an occurrence basis (not a claims made basis), to be in combined single limits amounts not less than \$3,000,000.00 and to have general aggregate limits of not less than \$5,000,000.00 for each policy year. The insurance coverage required under this Section 8(a)(i) shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in Section 11 ~~and if necessary, the policy shall contain a contractual endorsement to that effect. The general aggregate limits under the Commercial General Liability insurance policy or policies must apply separately to the Demised Premises and to Tenant's use thereof (and not to any other location or use of Tenant) and such policy shall contain an endorsement to that effect. The certificate of insurance evidencing the Commercial General Liability form of policy shall specify all endorsements required herein and shall specify on the face thereof that the limits of such policy apply separately to the Demised Premises.~~

(ii) Insurance covering all of the items included in Tenant's leasehold improvements, heating, ventilating and air conditioning equipment, trade fixtures, merchandise and personal property from time to time in, on or upon the Demised Premises, in an amount not less than one hundred percent (100%) of their full replacement value from time to time during the Term, providing protection against perils included within the standard form of "all-risks" fire and casualty insurance policy, together with insurance against sprinkler damage, vandalism and malicious mischief. Any policy proceeds from such insurance shall be held in trust by ~~Tenant's insurance company~~ for the repair, construction and restoration or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 20(a).

used
only

(b) All policies of the insurance provided for in Section 8(a) shall be issued ~~in form acceptable to Landlord~~ by insurance companies with a rating of not less than "A," and financial size of not less than Class X, in the most current available "Best's Insurance Reports", and licensed to do business in the state in which the Building is located. Each and every such policy:

(i) shall name Landlord as well as Landlord's Mortgagee, as defined in Section 24, and any other party reasonably designated by Landlord, as an additional insured. In addition, the coverage described in Section 8(a) (ii) shall also name Landlord as loss payee; (or certificates thereof)

(ii) shall be delivered to Landlord within thirty (30) days after delivery of possession of the Demised Premises to Tenant and thereafter within thirty (30) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;

relating to
leasehold
improvements

(iii) shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any material change, cancellation, termination or lapse, or the effective date of any reduction in the amounts of insurance; and

(iv) shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.

(c) Any insurance provided for in Section 8(a) may be maintained by means of a policy or policies of blanket insurance, covering additional items or locations or insureds, provided, however, that:

(i) Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as an additional insured thereunder as its interest may appear;

(ii) the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance;

(iii) any such policy or policies shall specify therein the amount of the total insurance allocated to the Tenant's improvements and property; and

(iv) the requirements set forth in this Section 8 are otherwise satisfied.

(d) In the event that Tenant shall fail to carry and maintain the insurance coverages set forth in this Section 8, Landlord may upon thirty (30) days notice to Tenant (unless such coverages will lapse in which event no such notice shall be necessary) procure such policies of insurance and Tenant shall promptly reimburse Landlord therefor.

(e) Landlord and Tenant hereby waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective property, the Demised Premises, its contents or to the other portions of the Building, arising from any risk covered by all risks fire and extended coverage insurance, and to the extent of recovery under valid and collectible policies of such insurance, provided that such waiver does not invalidate such policies or prohibit recovery thereunder. The parties hereto each, on behalf of their respective insurance companies insuring the property of either Landlord or Tenant against any such loss, waive any right of subrogation that such insurers may have against Landlord or Tenant, as the case may be.

9. Utilities. During the Term, Tenant shall promptly pay as billed to Tenant all rents and charges for water and sewer services and all costs and charges for gas, steam, electricity, fuel, light, power, telephone, heat and any other utility or service used or consumed in or servicing the Demised Premises and all other costs and expenses involved in the care, management and use thereof. If Tenant fails to pay any utility bills or charges, Landlord may, at its option, upon reasonable notice to Tenant pay the same and in such event, the amount of such payment, together with interest thereon at the Interest Rate as defined in Section 31(g) from the date of such payment by Landlord, will be added to Tenant's next due payment, as Additional Rent.

10. Maintenance and Repairs.

(a) Tenant shall, at its own cost and expense, maintain in good condition and repair the interior of the Demised Premises, including but not limited to the electrical systems, heating, air conditioning and ventilation systems, plate glass, windows and doors, sprinkler and plumbing systems. Tenant shall maintain in full force and effect a service contract for the heating, ventilation and air conditioning systems with an entity reasonably acceptable to Landlord. Tenant's obligations to repair and maintain the Demised Premises shall include without limitation all plumbing and sewage facilities within the Demised Premises, fixtures, interior walls, floors, ceilings, windows, doors, storefronts, plate glass, skylights, all electrical facilities and equipment including without limitation lighting fixtures, lamps, fans and any exhaust equipment and systems, electrical motors, and all other appliances and equipment of every kind and nature located in, upon or about the Demised Premises except as to such maintenance and repair as is the obligation of Landlord pursuant to Section 10(b) herein. All glass, both interior and exterior, is at the sole risk of Tenant; and any broken glass shall be promptly replaced at Tenant's expense by glass of like kind, size and quality.

(b) Landlord shall, at its own cost and expense, maintain in good condition and repair the exterior walls, roof, foundation and structural frame of the Building.

(c) Unless the same is caused solely by the negligent action or inaction of Landlord, Landlord shall not be liable to Tenant or to any other person for any damage occasioned by failure in any utility system or by the bursting or leaking of any vessel or pipe in or about the Demised Premises; or for any damage occasioned by water coming into the Demised Premises or arising from the acts or neglects of occupants of adjacent property or the public.

except for
the negli-
gence of
Landlord,
its agents
employees
and
Contractor;

11. Tenant's Personal Property; Indemnity. All of Tenant's personal property in the Demised Premises shall be and remain at Tenant's sole risk, and Landlord shall not be liable for and Tenant hereby releases Landlord from any and all liability for theft thereof or any damage thereto occasioned by any acts, omissions or negligence of any persons, or any act of God, and Landlord shall not be liable for any injury to the person or property of other persons in or about the Demised Premises. Tenant expressly agreeing to indemnify and save Landlord harmless in all such cases. Tenant further agrees to reimburse Landlord for any costs or expenses, including without limitation attorneys' fees which Landlord may incur in investigating, handling or litigating any such claim against Landlord by a third person.

12. Tenant's Fixtures. Tenant shall have the right to install in the Demised Premises trade fixtures required by Tenant or used by it in its business, and if installed by Tenant, to remove any or all such trade fixtures from time to time during and upon termination of this Lease, provided Tenant is not then in default under the terms of this Lease and any applicable grace period has not expired with the default having not been cured; provided, however, that Tenant shall repair and restore any damage or injury to the Demised Premises (to the condition in which the Demised Premises existed prior to such installation) caused by the installation and/or removal of any such trade fixtures.

13. Signs. No sign, advertisement or notice shall be inscribed, painted, affixed, or displayed on the windows or exterior walls of the Demised Premises or on any public area of the Building, except in such places, numbers, sizes, colors and styles as are approved in advance in writing by Landlord, and which conform to all applicable laws and/or ordinances. Any and all permitted signs shall be installed, maintained and removed by Landlord at Tenant's sole expense.

~~14. Landlord's Lien. Notwithstanding any other provision hereof to the contrary, Landlord shall have at all times a valid first lien upon all of the personal property and trade fixtures of Tenant situated in and upon the Demised Premises to secure the obligations of Tenant for all Minimum Rent, Additional Rent and other sums to become due hereunder and the performance by Tenant of each and all of Tenant's other covenants and obligations hereunder. Said personal property and trade fixtures shall not be removed from the Demised Premises without the consent of the Landlord until Tenant shall have paid all Minimum Rent,~~

~~Additional Rent and other sums to become due hereunder and shall have fully discharged all of the covenants and obligations hereunder to be performed by Tenant. The lien herein granted may be foreclosed in the manner and form provided by law for the foreclosure of chattel mortgages or in any other manner provided or permitted by law.~~

15. Governmental Regulations. Tenant shall throughout the Term of this Lease, at Tenant's sole cost and expense, promptly comply with all laws and ordinances and notices, orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof, and notices, orders, rules and regulations of the National Board of Fire Underwriters, or any other body now or hereafter constituted exercising similar functions, relating to all or any part of the Demised Premises, foreseen or unforeseen, ordinary as well as extraordinary, or to the use or manner of use of the Demised Premises or to the sidewalks, parking areas, curbs and access ways adjoining the Demised Premises. Without limiting the generality of the foregoing, Tenant shall keep in force at all times all licenses, consents and permits necessary for the lawful use of the Demised Premises, and Tenant shall pay all personal property taxes, income taxes, license fees, and other taxes which are or may be assessed, levied or imposed upon Tenant in connection with Tenant's operation of its business upon the Demised Premises. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire and other policies of insurance at any time in force with respect to the Demised Premises.

16. Environmental Matters.

(a) Tenant warrants that all its activities on the Demised Premises, the Building, or the Project during the course of this Lease will be conducted in material compliance with all federal, state, and local laws, regulations, orders, permits, ordinances, and the like concerning protection of human health and/or the environment ("Environmental Laws"). Tenant warrants that it is currently in compliance with all applicable Environmental Laws and that there are no pending or threatened notices of deficiency, notices of violation, orders, or judicial or administrative actions involving alleged violations by Tenant of any Environmental Laws. Tenant, at Tenant's sole cost and expense, shall be responsible for obtaining all permits or licenses or approvals under Environmental Laws necessary for Tenant's operation of its business on the Demised Premises and shall make all notifications and registrations required by any applicable Environmental Laws. Tenant, at Tenant's sole cost and expense, shall at all times comply with the terms and conditions of all such permits, licenses, approvals, notifications and registrations and with any other applicable Environmental Laws. Tenant warrants that it has obtained all such permits, licenses or approvals and made all such notifications and registrations required by any applicable Environmental Laws necessary for Tenant's operation of its business on the Demised Premises.

(b) Tenant shall not cause or permit any Hazardous Substances (as hereinafter defined) to be brought upon, kept or used in or about the Demised Premises, the Building, or the Project without the prior written consent of Landlord, which consent may be unreasonably and arbitrarily withheld, except as set forth in Stipulation 10(e).

(c) In the event Landlord shall grant its consent as described in Section 16(b) above, Tenant shall not cause or permit the release of any Hazardous Substances into any environmental media such as air, water or land, or into or on the Demised Premises, the Building or the Project. If such release shall occur, Tenant shall (i) immediately take all necessary steps to contain, control and clean up such release and any associated Contamination, (ii) notify Landlord, and (iii) take any and all other action which may be required by Environmental Laws, governmental agencies, and/or Landlord.

(d) Tenant shall not install any underground storage tank on the Demised Premises.

(e) Tenant shall indemnify Landlord and hold Landlord harmless from and against any and all expense, loss, and liability suffered by Landlord, with the sole exception of those expenses, losses, and liabilities arising solely from Landlord's own negligence or willful act, by reason of Tenant's improper (regardless of whether accidental, intentional, or negligent) storage, generation, handling, treatment, transportation or disposal (or arrangement for transportation or disposal) of any Hazardous Substances, or by Tenant's breach of any of the provisions of this Section 16, including, without limitation, (i) any and all expenses that Landlord may incur to comply with any Environmental Laws as a result of Tenant's failure to comply therewith; (ii) any and all costs that Landlord may incur in studying or remedying any Contamination at or arising from the Demised Premises, the Building, or the Project; (iii) any and all costs that Landlord may incur in studying, removing, disposing or otherwise addressing any Hazardous Substances; (iv) any and all fines, penalties or other sanctions assessed upon Landlord by reason of Tenant's failure to comply with Environmental Laws; and (v) any and all legal and professional fees and costs incurred by Landlord in connection with the foregoing. The indemnity contained herein shall survive the termination or expiration of this Lease.

(f) The term "Hazardous Substances" as used herein means any hazardous or toxic substance or waste as those terms are defined by any applicable federal or state law or regulation (including, without limitation, the Comprehensive Environmental Recovery Compensation and Liability Act, 42 U.S.C. 9601 et. sec. and the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. sec.) and petroleum products and oil.

(g) The term "Contamination" as used herein means the uncontained or uncontrolled presence of or release of Hazardous Substances into any environmental media and into or on any portion of the Demised Premises, the Building, or the Project so as to require remediation, cleanup or investigation under any applicable Environmental Law.

~~17. Construction of Demised Premises.~~

~~(a) Within thirty (30) days after the date hereof, Landlord shall prepare, at Landlord's sole cost and expense, and submit to Tenant a complete set of plans and specifications and construction drawings (collectively, the "Plans and Specifications") covering all work to be performed by Landlord in constructing the interior improvements for the Demised Premises. Said Plans and Specifications shall be in such detail as Landlord may require and shall be in compliance with all applicable statutes, ordinances and regulations. Tenant shall approve the Plans and Specifications by the date set forth in 1(l) of the Basic Lease Provisions. If Tenant fails to approve the Plans and Specifications by such date, and completion of construction of the requirements is delayed beyond the Commencement Date, the~~

~~Term and Tenant's obligation to pay rent hereunder shall nevertheless begin on the Rent Commencement Date. Any subsequent changes to said Plans and Specifications requested by Tenant shall be at Tenant's sole cost and expense and subject to Landlord's written approval.~~

(b) Landlord shall use reasonable speed and diligence to substantially complete the improvements within the Demised Premises, at Landlord's sole cost and expense, and have the Demised Premises ready for occupancy on or before the Commencement Date. If Landlord shall be unable to give possession of the Demised Premises on that date or if the construction has begun and Landlord is unable due to Delay (as hereinafter defined) to complete the improvements on or before that date, such failure to give possession shall not in any way affect the obligation of Tenant hereunder except that the Minimum Rent and Additional Rent obligation shall not occur until the Demised Premises are made available for occupancy by Tenant, unless such failure to give possession has been caused by any act or omission on the part of Tenant; and Landlord and Tenant agree that the Term shall be extended by the period of such Delay. No liability whatsoever shall arise or accrue against Landlord by reason of its failure to deliver or afford possession, and Tenant hereby releases and discharges Landlord from and of any claims for damage, loss, or injury of every kind whatsoever as if this Lease were never executed.

(c) The construction period shall be extended for delays ("Delay") incurred by reason of changes requested by Tenant in the Plans and Specifications after the Tenant's approval thereof, and for such additional time as is equal to the time lost by Landlord or Landlord's contractors or suppliers in connection with the performance of Landlord's work and/or the construction of the Building and related improvements due to strikes or other labor troubles, governmental restrictions and limitations, war or other national emergency, non-availability of materials or supplies, delay in transportation, accidents, floods, fire, damage or other casualties, weather or other conditions, acts or omissions of Tenant, or delays by utility companies in bringing utility lines to the Demised Premises.

(d) Upon substantial completion of the Demised Premises, a representative of Landlord and a representative of Tenant together shall inspect the Demised Premises and generate a punchlist of defective or uncompleted items relating to the completion of construction of the improvements within the Demised Premises. Landlord shall, within a reasonable time after such punchlist is prepared and agreed upon by Landlord and Tenant, complete such incomplete work and remedy such defective work as are set forth on the punchlist. All construction work performed by Landlord shall be deemed approved by Tenant in all respects except for items of said work which are not completed or do not conform to the Plans and Specifications and which are included on the punchlist.

(e) Upon acceptance of the Demised Premises by Tenant, Tenant shall execute and deliver to Landlord a letter of acceptance confirming that the Commencement Date and Expiration Date remain as set forth in the Basic Lease Provisions, or if revised pursuant to the terms hereof, setting forth the Commencement Date and Expiration Date as so revised.

18. Tenant Alterations and Additions. Tenant shall not make or permit to be made any alterations, improvements, or additions to the Demised Premises (a "Tenant's Change"), without first obtaining on each occasion Landlord's prior written consent (which consent Landlord agrees not unreasonably to withhold) and Mortgagee's prior written consent (if such consent is required). Tenant shall furnish Landlord with a full set of plans and specifications for any Tenant's Change prior to the commencement thereof together with an original builder's risk policy of insurance in form and amount of coverage reasonably acceptable to Landlord, showing Tenant as named insured, and Landlord and Mortgagee as loss payees. All Tenant's Changes shall be performed in accordance with all legal requirements applicable thereto and in a good and workmanlike manner with first-class materials and, upon completion of any Tenant's Change, Tenant shall furnish to Landlord "as-built" drawings showing the location and type thereof. If Landlord at the time of giving its approval to any Tenant's Change notifies Tenant that approval is conditioned upon restoration, then upon written request of Landlord, Tenant shall, at its sole cost and expense and upon the termination of this Lease, remove the same and restore the Demised Premises to its condition prior to such Tenant's Change. No Tenant's Change shall impair the structural strength of the Building or reduce its value, Tenant shall take or cause to be taken all steps that are required or permitted by law in order to avoid the imposition of any materialmen's or mechanics' liens upon the Building or the Demised Premises, and Tenant shall pay the full cost of any Tenant's Change and shall give Landlord such reasonable security as may be requested by Landlord to insure payment of such cost. Except as otherwise provided herein and in Paragraph 12 hereof, all Tenant's Changes and all repairs and all other property attached to or installed on the Demised Premises by or on behalf of Tenant shall immediately upon completion or installation thereof be and become part of the Demised Premises and the property of Landlord without payment therefor by Landlord and shall be surrendered to Landlord upon the expiration or earlier termination of the Term of this Lease. Landlord shall have no duty or obligation to make any Tenant's Change, replacement or repair to the Building, whether interior or exterior, structural or non-structural, ordinary or extraordinary, or to maintain the Demised Premises.

19. Services by Landlord. Landlord shall be responsible for providing for maintenance of the common areas of and relating to the Building, and for no other services whatsoever. Tenant, by payment of Tenant's share of the Operating Expenses, shall pay Tenant's pro rata share of the expenses incurred by Landlord hereunder.

20. ~~Fire and Other Casualty.~~

(a) In the event of total or partial destruction of the Demised Premises by fire or other casualty insured by Landlord, Landlord agrees to promptly restore and repair the Demised Premises at Landlord's expense to the extent Landlord receives insurance proceeds therefor; provided, however that in the event the Demised Premises are (i) so destroyed that they cannot be repaired or rebuilt within one hundred twenty (120) days after the commencement of such repair or rebuilding; or (ii) destroyed by a casualty which is not covered by Landlord's insurance, or if such casualty is covered by Landlord's insurance but a Landlord's Mortgagee or other party entitled to insurance proceeds fails to make such proceeds available to Landlord in an amount sufficient for restoration of the Demised Premises, then, either Landlord or Tenant may terminate and cancel this Lease effective as of the ninetieth (90th) day after such casualty by giving written notice to the other party within such ninety (90) days of the date of such casualty. Upon the giving of such notice, all further obligations hereunder shall thereupon cease and terminate. If no such notice is given, Landlord shall make such repair or restoration of the Demised Premises promptly and in

~~such manner as not to unreasonably interfere with Tenant's use and occupancy of the Demised Premises (if Tenant is still occupying the Demised Premises). Any proceeds from the fire and extended coverage insurance policies not utilized by Landlord in restoring or repairing the Demised Premises shall become the sole property of Landlord. Minimum Rent shall proportionately abate during the time that the Demised Premises or any part thereof are unusable by reason of any such damage thereto.~~

~~(b) Except as provided herein, damage to or destruction of all or any portion of the Demised Premises by fire or by any other cause shall not terminate this Lease, nor entitle Tenant to surrender the Demised Premises nor in any way affect Tenant's obligation to pay the Minimum Rent, Additional Rent and other sums payable hereunder.~~

21. Condemnation.

(a) If all of the Demised Premises is taken or condemned for a public or quasi-public use, or if a material portion of the Demised Premises is taken or condemned for a public or quasi-public use and the remaining portion thereof is not usable by Tenant, this Lease shall terminate as of the earlier of the date title to the condemned real estate vests in the condemnor and the date on which Tenant is deprived of possession of the Demised Premises. In such event, the Minimum Rent herein reserved and all Additional Rent and other sums payable hereunder shall be apportioned and paid in full by Tenant to Landlord to that date, all Minimum Rent, Additional Rent and other sums payable hereunder prepaid for periods beyond that date shall forthwith be repaid by Landlord to Tenant, and neither party shall thereafter have any liability hereunder, except that any obligation or liability of either party, actual or contingent, under this Lease which has accrued on or prior to such termination date shall survive.

(b) If only part of the Demised Premises is taken or condemned for a public or quasi-public use and this Lease does not terminate pursuant to Section 21(a) above, Landlord to the extent of the award it receives, shall restore the Demised Premises to a condition and to a size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the taking, and there shall be an equitable abatement of the Minimum Rent and Additional Rent according to the value of the Demised Premises before and after the taking. Pending such determination, Tenant shall continue to pay the Minimum Rent and Additional Rent as herein originally specified, and upon such determination, if Tenant is entitled to a refund because of an overpayment of Minimum Rent or Additional Rent, Landlord shall make the same promptly, or in lieu thereof credit the amount thereof to future installments of Minimum Rent or Additional Rent as they become due.

(c) Landlord shall be entitled to receive the entire award in any proceeding with respect to any taking provided for in this Section 21, without deduction therefrom for any estate vested in Tenant by this Lease, and Tenant shall receive no part of such award. Nothing herein contained shall be deemed to prohibit Tenant from making a separate claim, against the condemnor, to the extent permitted by law, for the value of Tenant's moveable trade fixtures, machinery and moving expenses, provided that the making of such claim shall not and does not adversely affect or diminish Landlord's award.

22. Tenant's Default.

(a) The occurrence of any one or more of the following events shall constitute an Event of Default of Tenant under this Lease: (i) if Tenant fails to pay Minimum Rent or any Additional Rent hereunder as and when such rent becomes due and such failure shall continue for more than 5 days after receipt of written notice from Landlord of such failure; (ii) if Tenant fails to pay Minimum Rent or any Additional Rent on time more than ~~twice~~ ^{four (4)} ~~in any period~~ ^{times} of 12 months (provided Landlord has given Tenant written notice of the previous failures during such 12 month period within 20 days of the date such payment was due), notwithstanding that such payments have been made within the applicable cure period; (iii) if the Demised Premises become vacant, deserted, or abandoned for more than 10 consecutive days or if Tenant fails to take possession of the Demised Premises on the Commencement Date or promptly thereafter; (iv) if Tenant permits to be done anything which creates a lien upon the Demised Premises and fails to discharge, bond such lien or post security with Landlord acceptable to Landlord within 10 days after receipt by Tenant of written notice thereof; (v) if Tenant violates the provisions of Section 29 of this Lease by attempting to make an unpermitted assignment or sublease; (vi) if Tenant fails to maintain in force all policies of insurance required by this Lease and such failure shall continue for more than 10 days after Landlord gives Tenant notice of such failure; (vii) if any petition is filed by or against Tenant or any guarantor of this Lease under any present or future section or chapter of the Bankruptcy Code, or under any similar law or statute of the United States or any state thereof (which, in the case of an involuntary proceeding, is not permanently discharged, dismissed, stayed, or vacated, as the case may be, within 60 days of commencement), or if any order for relief shall be entered against Tenant or any guarantor of this Lease in any such proceedings; (viii) if Tenant or any guarantor of this Lease becomes insolvent or makes a transfer in fraud of creditors or makes an assignment for the benefit of creditors; (ix) if a receiver, custodian, or trustee is appointed for the Demised Premises or for all or substantially all of the assets of Tenant or of any guarantor of this Lease, which appointment is not vacated within 60 days following the date of such appointment; (x) if Tenant fails to perform or observe any other term of this Lease and such failure shall continue for more than 10 days after Landlord gives Tenant notice of such failure, or, if such failure cannot be corrected within such 10-day period, if Tenant does not commence to correct such default within said 10-day period and thereafter diligently prosecute the correction of same to completion within a reasonable time and in any event prior to the time a failure to complete such correction could cause Landlord to be subject to prosecution for violation of any law, rule, ordinance or regulation or causes, or could cause a default under any mortgage, underlying lease, tenant leases or other agreements applicable to the Project; or (xi) if Tenant fails to perform any term (other than the payment of Minimum Rent or any Additional Rent) of this Lease more than 2 times in any period of 12 months, notwithstanding that Tenant has corrected any previous failures within the applicable cure period.

Four (4)
times
and Tenant
is not
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otherwise
continuing
to maintain
the Demised
Premises,

(b) Upon the occurrence of any one or more of the aforesaid Events of Default, or upon the occurrence of any other default or defaults by Tenant under this Lease, Landlord may, at Landlord's option, without any demand or notice whatsoever (except as expressly required in this Section 22):

(i) Terminate this Lease by giving Tenant notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice of termination

with the same force and effect as though the date so specified were the date herein originally fixed as the termination date of the Term of this Lease, and all rights of Tenant under this Lease and in and to the Demised Premises shall expire and terminate and Tenant shall remain liable for all obligations under this Lease arising up to the date of such termination, and Tenant shall surrender the Demised Premises to Landlord on the date specified in such notice, and if Tenant fails to so surrender Landlord shall have the right, without notice, to enter upon and take possession of the Demised Premises and to expel or remove Tenant and its effects without being liable for prosecution or any claim for damages therefor; or

(ii) Terminate this Lease as provided in Section 22(b)(i) hereof and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including, without limitation, a sum which, at the date of such termination, represents the then value of the excess, if any, of (1) the total Minimum Rent, Additional Rent, and all other sums which would have been payable hereunder by Tenant for the period commencing with the day following the date of such termination and ending with the Termination Date of the Term, over (2) the aggregate reasonable rental value of the Demised Premises for the same period, plus (3) the costs of recovering the Demised Premises and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorney's fees, plus (4) the unpaid Minimum Rent earned as of the date of termination plus interest at the Interest Rate (as defined in Section 32 herein), plus other sums of money and damages owing on the date of termination by Tenant to Landlord under this Lease or in connection with the Demised Premises, all of which excess sum shall be deemed immediately due and payable; or

(iii) Without terminating this Lease, and with ~~or without~~ notice to Tenant, Landlord may in its own name but as agent for Tenant enter into and upon and take possession of the Demised Premises or any part thereof, and, at Landlord's option, remove persons and property therefrom and such property, if any, may be removed and stored in a warehouse or elsewhere at the cost of, and for the account of Tenant, all without being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby, and Landlord may rent the Demised Premises or any portion thereof as the agent of Tenant with or without advertisement, and by private negotiations and for any term upon such terms and conditions as Landlord may deem necessary or desirable in order to relet the Demised Premises. Landlord shall in no way be responsible or liable for any failure to rent the Demised Premises or any part thereof, or for any failure to collect any rent due upon such reletting. Upon each such reletting, all rentals received by Landlord from such reletting shall be applied: first, to the payment of any indebtedness (other than any rent due hereunder) from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including, without limitation, brokerage fees and attorney's fees and costs of alterations and repairs; third, to the payment of rent and other charges then due and unpaid hereunder; and the residue, if any, shall be held by Landlord to the extent of and for application in payment of future rent, if any becomes owing, as the same may become due and payable hereunder. In reletting the Demised Premises as aforesaid, Landlord may grant rent concessions and Tenant shall not be credited therefor. If such rentals received from such reletting shall at any time or from time to time be less than sufficient to pay to Landlord the entire sums then due from Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall, at Landlord's option, be calculated and paid monthly. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous default provided same has not been cured; or

(iv) Without terminating this Lease, and with ~~or without~~ notice to Tenant, Landlord may enter into and upon the Demised Premises and without being liable for prosecution or any claim for damages therefor, maintain the Demised Premises and repair or replace any damage thereto or do anything or make any payment for which Tenant is responsible hereunder. Tenant shall reimburse Landlord immediately upon demand for any expenses which Landlord incurs in thus effecting Tenant's compliance under this Lease, and Landlord shall not be liable to Tenant for any damages with respect thereto; or

(v) Without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property, material, labor, utilities or other service, wherever Landlord is obligated to furnish or render the same so long as Tenant is in default under this Lease; or

(vi) Allow the Demised Premises to remain unoccupied and collect rent from Tenant as it comes due; or

(vii) Foreclose any security interest in the property of Tenant which Landlord may have under the laws of the state where the Building is located or under this Lease, including the immediate taking of possession of all property on or in the Demised Premises; or

(viii) Pursue such other remedies as are available at law or equity.

(c) If this Lease shall terminate as a result of or while there exists a default hereunder, any funds of Tenant held by Landlord may be applied by Landlord to any damages payable by Tenant (whether provided for herein or by law) as a result of such termination or default.

(d) The parties hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties herein against the other on any matters whatsoever, arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Demised Premises, or any claim of injury or damage hereunder, and Tenant covenants and agrees that Tenant will not interpose any counterclaim, offset, or deduction in any summary proceeding brought by Landlord to recover possession of the Demised Premises.

(e) Neither the commencement of any action or proceeding, nor the settlement thereof, nor entry of judgment thereon shall bar Landlord from bringing subsequent actions or proceedings from time to time, nor shall the failure to include in any action or proceeding any sum or sums then due be a bar to the maintenance of any subsequent actions or proceedings for the recovery of such sum or sums so omitted.

(f) The foregoing provisions of this Article 22 shall apply to any renewal or extension of this Lease.

(g) If any statute or rule of law shall limit any of Landlord's remedies hereinabove set forth, Landlord shall nonetheless be entitled to any and all other remedies hereinabove set forth.

(h) No agreement to accept a surrender of the Demised Premises and no act or omission by Landlord or Landlord's agents during the Term shall constitute an acceptance or surrender of the Demised Premises unless made in writing and signed by Landlord. No re-entry or taking possession of the Demised Premises by Landlord shall constitute an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant.

(i) No provision of this Lease shall be deemed to have been waived by either party unless such waiver is in writing and signed by the party making such waiver. Landlord's acceptance of Minimum Rent or Additional Rent following an Event of Default hereunder shall not be construed as a waiver of such Event of Default. No custom or practice which may grow up between the parties in connection with the terms of this Lease shall be construed to waive or lessen either party's right to insist upon strict performance of the terms of this Lease, without a written notice thereof to the other party.

(j) The rights granted to Landlord in this Section 22 shall be cumulative of every other right or remedy provided in this Lease or which Landlord may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Minimum Rent, Additional Rent or damages accruing to Landlord by reason of any Event of Default under the Lease. If an Event of Default shall occur, Tenant shall pay to Landlord, on demand, all expenses incurred by Landlord as a result thereof, including reasonable attorneys' fees, court costs and expenses. If Landlord shall be made a party to any litigation commenced against Tenant as a result of this Lease, Landlord's ownership of the Demised Premises or the relationship of Landlord and Tenant arising by virtue of this Lease, and Tenant, at its expense, shall fail to provide Landlord with counsel approved by Landlord, Tenant shall pay all costs and reasonable attorneys' fees incurred by Landlord in connection with such litigation.

(k) In the event that Tenant is in default hereunder, and any rent, including Minimum Rent, Additional Rent and any other sums, owing under this Lease is collected by or through an attorney-at-law, Tenant agrees to pay fifteen percent (15%) of such sum as attorney's fees.

23. Landlord's Right of Entry. Tenant agrees to permit Landlord and the authorized representatives of Landlord and of the Mortgagee to enter upon the Demised Premises at all reasonable times for the purposes of inspecting them and making any necessary repairs thereto and performing any work therein that may be necessary by reason of Tenant's failure to make such repairs or perform any such work required of Tenant under this Lease; provided that, except in the case of an emergency, Landlord shall give the Tenant reasonable prior written notice of Landlord's intended entry upon the Demised Premises. Nothing herein shall imply any duty upon the part of Landlord to do any such work, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform it. Landlord shall not be liable for inconvenience, annoyance, disturbance or other damage to Tenant by reason of making such repairs or the performance of such work in the Demised Premises or on account of bringing materials, supplies and equipment into or through the Demised Premises during the course thereof, and the obligations of Tenant under this Lease shall not thereby be affected; provided, however, that Landlord shall use reasonable efforts not to annoy, disturb or otherwise interfere with Tenant's operations in the Demised Premises in making such repairs or performing such work. Landlord also shall have the right to enter the Demised Premises at all reasonable times to exhibit the Demised Premises to any prospective purchaser and/or mortgagee thereof; and Landlord shall have the right to exhibit the Demised Premises to any prospective tenant at any time within six (6) months prior to the expiration of the Term of this Lease, unless Tenant shall have previously exercised a then current option to renew the Term beyond the then current Term.

and
Landlord
shall be
accompanied
by a representative
of Tenant

24. Mortgagee's Rights. So long as Tenant shall be provided with a subordination, nondisturbance and attornment agreement executed by the
(a) This Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien of Landlord's Mortgage (as defined hereinbelow). Tenant recognizes and acknowledges the right of the holder of Landlord's Mortgage (the "Mortgagee") to foreclose or exercise the power of sale against the Demised Premises under Landlord's Mortgage.

Mortgagee,
reasonably
acceptable
to Tenant
and
consistent
with this
Section 24

(b) Tenant shall, in confirmation of the subordination set forth in Section 24(a) above and notwithstanding the fact that such subordination is self-operative, and no further instrument or subordination shall be necessary, upon demand, at any time or times, execute, acknowledge, and deliver to Landlord or to Mortgagee any and all instruments requested by either of them to evidence such subordination.

(c) If requested by Mortgagee, Tenant shall, upon demand, at any time or times, execute, acknowledge, and deliver to Mortgagee, any and all instruments that may be necessary to make this Lease superior to the lien of Landlord's Mortgage.

(d) If Mortgagee shall hereafter succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease, Tenant shall, at the option of the Mortgagee, attorn to and recognize such successor as Tenant's Landlord under this Lease without change in the terms and provisions of this Lease (provided that such successor shall not be bound by (i) any payment of Minimum Rent or Additional Rent for more than one month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this Lease, and then only if such prepayments have been deposited with and are under the control of such successor, or (ii) any provision of any amendment to the Lease to which the Mortgagee has not consented, and shall promptly execute and deliver any instrument that may be necessary to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between each successor Landlord and Tenant, subject to all of the terms, covenants and conditions of this Lease.

As used in this Paragraph 24 and in Paragraph 32, the term "Landlord's Mortgage" means any or all mortgages, deeds to secure debt, deeds of trust or other instruments in the nature thereof which may now or hereafter affect or encumber Landlord's title to the Demised Premises.

business 25. Estoppel Certificate. Tenant agrees, at any time, and from time to time, within ten (10) days' after Landlord's written request, to execute, acknowledge and deliver to Landlord, a statement in writing in recordable form to Landlord and/or its designee certifying that: (i) this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect, as modified) and (ii) the dates to which Minimum Rent, Additional Rent and other charges have been paid, (iii) whether or not, to the best knowledge of the signer of such certificates, there exists any failure by Landlord to perform any term, covenant or condition contained in this Lease, and, if so, specifying each such failure of which the signer may have knowledge, (iv) (if such be the case) the Tenant has unconditionally accepted the Demised Premises and is conducting its business therein, (v) and as to such additional matters as may be requested by Landlord, it being intended that any such statement delivered pursuant hereto may be relied upon by Landlord and by any purchaser of title to the Demised Premises or by any Mortgagee or any assignee thereof or any party to any sale-leaseback of the Demised Premises, or the landlord under a ground lease affecting the Demised Premises.

26. Landlord Liability. No owner of the Demised Premises, whether or not named herein, shall have liability hereunder after he ceases to hold title to the Demised Premises, except for obligations which may have theretofore accrued. Neither Landlord nor any officer, director, shareholder, partner or principal, whether disclosed or undisclosed, of Landlord shall be under any personal liability with respect to any of the provisions of this Lease, and if Landlord is in breach or default with respect to Landlord's obligations or otherwise under this Lease, Tenant shall look solely to the equity of Landlord in the Demised Premises for the satisfaction of Tenant's remedies. It is expressly understood and agreed that Landlord's liability under the terms, covenants, conditions, warranties and obligations of this Lease shall in no event exceed the loss of Landlord's equity interest in the Demised Premises.

27. Notices and Payments. Any notice or payment required or permitted to be given or served by either party to this Lease shall be deemed given when ~~made~~ in writing, deposited with the United States Postal Service, postage prepaid, to be mailed by registered mail, return receipt requested, or delivered by overnight delivery service, properly addressed to the address set forth in 1(n) of the Basic Lease Provisions.

received
(or upon
refusal
or receipt)

28. Brokers. Neither Landlord nor Tenant has engaged any brokers who would be entitled to any commission or fee based on the execution of this Lease, other than those set forth in 1(o) of the Basic Lease Provisions (the "Brokers") who shall be paid pursuant to separate agreement. Further, neither Landlord nor Tenant have had any conversations or negotiations with any broker except the Brokers concerning the leasing of the Demised Premises. Landlord and Tenant hereby indemnify each other against and from any claims for any brokerage commissions (except those payable to the Brokers, all of which are payable by Landlord) and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the termination of the Lease for any reason.

29. Assignment and Subleasing. Tenant may not assign, mortgage, pledge, encumber or otherwise transfer this Lease, or any interest hereunder, or sublet the Demised Premises, in whole or in part, without on each occasion first obtaining the prior express written consent of Landlord, which consent Landlord ~~may give or withhold in its sole and absolute discretion~~. Permitted subtenants or assignees shall become liable directly to Landlord for all obligations of Tenant hereunder, without, however, relieving Tenant of any of its liability hereunder. Tenant further agrees that if such subtenant or assignee is required to pay rent greater than the rent required to be paid by Tenant hereunder, then Landlord shall be entitled to receive and shall be paid such increased amount as Additional Rent. No such assignment, subletting, occupancy or collection shall be deemed the acceptance of the assignee, tenant or occupant, as Tenant, or a release of Tenant from the further performance by Tenant of Tenant's obligations under this Lease.

shall not
unreason-
ably
withhold

30. Termination or Expiration.

(a) No termination of this Lease prior to the normal ending thereof, by lapse of time or otherwise, shall affect Landlord's right to collect rent for the period prior to termination thereof.

(b) At the expiration or earlier termination of the Term of this Lease, Tenant shall surrender the Demised Premises and all improvements, alterations and additions thereto, and keys therefor to Landlord, clean and neat, and in the same condition as at the commencement of the Term, natural wear and tear only excepted.

(c) If Tenant remains in possession of the Demised Premises after expiration of the Term hereof, with Landlord's acquiescence and without any express agreement of the parties, Tenant shall be a tenant-at-will at one hundred fifty percent (150%) of the Minimum Rent in effect at the end of the Term of the Lease, together with all other Additional Rent due hereunder, and there shall be no renewal of this Lease by operation of law.

31. Relocation. ~~Upon sixty (60) days advance written notice from Landlord to Tenant, Tenant agrees to relocate to other space in the Building or Project designated by Landlord, (the "New Space") provided: (i) the New Space is at least of equal size and similar configuration to the Demised Premises; (ii) Landlord shall pay all reasonable out-of-pocket expenses in moving Tenant, its property and equipment into the New Space; and (iii) Landlord shall, at its sole cost, renovate or alter the New Space to conform substantially with the Demised Premises. If Landlord moves Tenant to the New Space, every term and condition of this Lease shall remain in full force and effect, except the Minimum Rent and Additional Rent shall be adjusted pro rata to reflect any decrease in the square footage of the Demised Premises, and the New Space shall thereafter be deemed to be the Demised Premises as though Tenant had entered into an express written amendment of this Lease with respect thereto.~~

32. Late Payments. In the event any installation of rent, inclusive of Minimum Rent, or Additional Rent or other sums due hereunder, if any, is not paid within five (5) days after the date when such rent is due, Tenant shall pay interest or the amount past due at a rate of fifteen percent (15%) per annum (the "Interest Rate") to defray the additional expenses incurred by Landlord in processing such payment.

33. Rules and Regulations. Tenant agrees to abide by the Rules and Regulations set forth on Exhibit "D" attached hereto, as well as other rules and regulations reasonably promulgated by the Landlord from time to time.

34. Miscellaneous.

(a) The parties hereto hereby covenant and agree that any present or future law to the contrary notwithstanding, this Lease shall not terminate, except as herein specifically provided, and Landlord shall receive the Minimum Rent and Additional Rent and all other sums payable by Tenant hereinabove provided as net income from the Demised Premises, without any abatement, reduction, set-off, counterclaim, defense or deduction and not diminished by (a) any imposition of any public authority of any nature whatsoever during the entire Term, notwithstanding any changes in the method of taxation or raising, levying or assessing any imposition, or any changes in the name of any imposition, or (b) any expenses or charges required to be paid to maintain and carry the Demised Premises or to continue the ownership of Landlord, other than payments under any mortgage now existing or hereafter created by Landlord. ~~The obligations of Tenant hereunder shall not be affected by reason of any damage to or destruction of the Demised Premises.~~ Tenant shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or void this Lease, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Landlord or any assignee of Landlord.

(b) If any clause or provision of this Lease is determined to be illegal, invalid or unenforceable under present or future laws effective during the Term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and that in lieu of such illegal, invalid or unenforceable clause or provision there shall be substituted a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable. If such invalidity is, in the reasonable determination of Landlord, essential to the rights of both parties, Landlord shall have the right to terminate this Lease on written notice to Tenant.

or Tenant

(c) All rights, powers, and privileges conferred hereunder upon the parties hereto shall be cumulative, but not restrictive to those given by law.

(d) Time is of the essence of this agreement.

(e) No failure of Landlord or Tenant to exercise any power given Landlord or Tenant hereunder or to insist upon strict compliance by Landlord or Tenant with its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's or Tenant's rights to demand exact compliance with the terms hereof.

(f) This Lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force and effect. The masculine (or neuter) pronoun, singular number shall include the masculine, feminine and neuter gender and the singular and plural number.

(g) This contract shall create the relationship of Landlord and Tenant between Landlord and Tenant; no estate shall pass out of Landlord; Tenant has a usufruct, not subject to levy and sale, and not assignable by Tenant except as expressly set forth herein.

(h) Landlord and Tenant agree to execute, upon request of the other, a memorandum of this Lease in recordable form and the requesting party shall pay the costs and charges for the recording of such memorandum of lease. Under no circumstances shall Tenant have the right to record this Lease, and should Tenant do so, Tenant shall be in default hereunder.

(i) The captions of this Lease are for convenience only and are not a part of this Lease, and do not in any way define, limit, describe or amplify the terms or provisions of this Lease or the scope or intent thereof.

(j) This Lease may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

(k) This Lease shall be interpreted under the laws of the State where the Demised Premises are located.

35. Special Stipulations. The Special Stipulations, if any, attached hereto as Exhibit C, are incorporated herein and made a part hereof, and to the extent of any conflict between the foregoing provisions and the Special Stipulations, the Special Stipulations shall govern and control.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands under seals, the day and year first above written.

LANDLORD:

INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC.

By: HENRY D. "GREG" GREGORY, JR.

Its: PRESIDENT

Attest: MURRAY J. GUNTER

Its: SECRETARY

(CORPORATE SEAL)



(IF TENANT IS AN INDIVIDUAL)

TENANT:

(SEAL)

Name:

(IF TENANT IS A PARTNERSHIP)

TENANT:

By:

Its:

(IF TENANT IS A CORPORATION)

BAXTER HEALTHCARE CORP.

By:

Its: Group Vice President

Witness:

Its: Administrative Assistant

ATTESTATION

Landlord:

STATE OF _____

COUNTY OF _____

BEFORE ME, a Notary Public in and for said County, personally appeared _____ and _____, known to me to be the person(s) who, as _____ and _____, respectively, of Industrial Developments International, Inc., the corporation which executed the foregoing instrument in its capacity as Landlord, signed the same, and acknowledged to me that they did so sign said instrument in the name and upon behalf of said corporation as officers of said corporation, that the same is their free act and deed as such officers, respectively, and they were duly authorized thereunto by its board of directors; and that the seal affixed to said instrument is the corporate seal of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name, and affixed my official seal, this _____ day of _____, 19____.

Notary Public

My Commission Expires:

Tenant - Individual:

STATE OF _____

COUNTY OF _____

BEFORE ME, a Notary Public in and for said County, personally appeared _____ known to me to be the person(s) who executed the foregoing instrument in its capacity as Landlord, signed the same, and acknowledged to me that (s)he did so sign said instrument in the name and that the same is his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name, and affixed my official seal, this _____ day of _____, 19____.

Notary Public

My Commission Expires:

Tenant - Partnership:

STATE OF _____

COUNTY OF _____

BEFORE ME, a Notary Public in and for said County, personally appeared _____ and _____, known to me to be the person(s) who, as _____ and _____, respectively, of _____, the partnership which executed the foregoing instrument in its capacity as Tenant, signed the same, and acknowledged to me that they did so sign said instrument in the name and upon behalf of said partnership, that the same is their free act and deed and they were duly authorized thereunto by the partnership.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name, and affixed my official seal, this _____ day of _____, 19____.

Notary Public

My Commission Expires:

Tenant - Corporation:

STATE OF Illinois

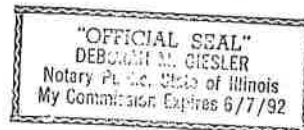
COUNTY OF Lake

BEFORE ME, a Notary Public in and for said County, personally appeared Charles Blanchard and _____, known to me to be the person(s) who, as Group V. B. and _____, respectively, of Baxter Healthcare, the corporation which executed the foregoing instrument in its capacity as Tenant, signed the same, and acknowledged to me that they did so sign said instrument in the name and upon behalf of said corporation as officers of said corporation, that the same is their free act and deed as such officers, respectively, and they were duly authorized thereunto by its board of directors; and that the seal affixed to said instrument is the corporate seal of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name, and affixed my official seal, this 30 day of January, 1992.

Deborah M. Giesler
Notary Public

My Commission Expires:



FIRST AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

THIS FIRST AMENDMENT TO INDUSTRIAL LEASE AGREEMENT (this "Amendment") is made as of the Amendment Date (as hereinafter defined) by and between SUN LIFE ASSURANCE COMPANY OF CANADA, a Canadian corporation ("Landlord"), successor in interest to Industrial Developments International, Inc., a Delaware corporation, and CORAM HEALTHCARE CORPORATION, a Delaware corporation ("Tenant").

RECITALS

Industrial Developments International, Inc., predecessor in title to Landlord, and Baxter Healthcare Corp. ("Baxter") previously entered into that certain Industrial Lease Agreement with a Lease Date of January 16, 1992 (as assigned to and assumed by Tenant as hereinafter provided, the "Lease") for the lease of approximately 6,766 square feet of space, more commonly known as 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 (the "Demised Premises").

Following the Lease Date, Baxter assigned the Lease to Caremark, Inc. Tenant acquired certain assets of Caremark, Inc., including the operations on the Demised Premises and, in connection therewith, the Lease was assigned to Tenant. In connection with such assignment, Tenant assumed and is directly liable to Landlord for all obligations of "Tenant" under the Lease arising from and after April 1, 1995, without releasing Baxter from its obligations under the Lease. Landlord recognizes Tenant as "Tenant" under the Lease, as amended hereby. Landlord does not hold a security deposit with respect to the Lease.

Landlord and Tenant have agreed to extend the Term of the Lease for an additional three (3) year period, to establish the Minimum Rent for such extension period, and otherwise to modify the terms and conditions of the Lease, all as more particularly set forth herein.

AGREEMENT

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. All capitalized terms used herein but undefined shall have the meanings ascribed thereto in the Lease.
2. The foregoing recitals are hereby incorporated herein by reference and are hereby ratified and confirmed by the parties hereto as being true and correct.

3. The following is added at the end of Section 1(d) of the Lease:

| | |
|-------------------------------|-------------|
| June 30, 1997 - June 30, 1998 | \$57,511.00 |
| July 1, 1998 - June 30, 1999 | \$59,202.50 |
| July 1, 1999 - June 30, 2000 | \$60,894.00 |

4. The following is added at the end of Section 1(e) of the Lease:

| | |
|-------------------------------|------------|
| June 30, 1997 - June 30, 1998 | \$4,792.58 |
| July 1, 1998 - June 30, 1999 | \$4,933.54 |
| July 1, 1999 - June 30, 2000 | \$5,074.50 |

For any partial months or where Monthly Minimum Rent changes within a month, Monthly Minimum Rent shall be apportioned pro rata on a per diem basis for the period.

5. The Lease Commencement Date, as defined in Section 1(f) of the Lease, is hereby changed from "March 1, 1992" to "March 30, 1992."

6. The Minimum Rent Commencement Date, as defined in Section 1(g) of the Lease, is hereby changed from "September 1, 1992" to "September 30, 1992."

7. The Termination Date, as defined in Section 1(h) of the Lease, is hereby extended from June 30, 1997 to June 30, 2000. As and wherever such term is used in the Lease, "Term" shall be deemed to mean the period commencing on the Lease Commencement Date and terminating on the Termination Date, as extended hereby.

8. The Term of the Lease as set forth in Section 1(i) of the Lease is hereby amended by deleting therefrom "63 months" and by inserting in lieu thereof "Ninety-nine (99) months, one (1) day".

9. The address for notice for Landlord and Tenant as set forth in Section 1(n) of the Lease is hereby deleted in its entirety and the following is inserted in lieu thereof:

Landlord: Sun Life Assurance Company of Canada
One Sun Life Executive Park
Wellesley Hills, Massachusetts 02181
Attn: U.S. Real Estate Department (SC 1307)

Tenant: Coram Healthcare Corporation
1125 17th Street, Suite 2100
Denver, Colorado 80202
Attn: Treasury Manager

With a copy to: Bayshore Partners
1400 Quail Street, Suite 250
Newport Beach, California 92660
Attn: David Newton

10. Special Stipulation 14 in Exhibit C to the Lease is hereby deleted in its entirety, and the following is hereby inserted in lieu thereof:

"14. Option to Extend Term.

(a) Landlord hereby grants to Tenant one (1) option to extend the Term for a period of two (2) years, such option to be exercised by Tenant giving written notice of its exercise to Landlord in the manner provided in this Lease at least one hundred eighty (180) days prior to (but not more than two hundred ten (210) days prior to) the expiration of the Term, as it may have been previously extended. No extension option may be exercised by Tenant if an Event of Default has occurred and is then continuing or any facts or circumstances then exist which, with the giving of notice or the passage of time, or both, would constitute an Event of Default either at the time of exercise of the option or at the time the applicable Term would otherwise have expired if the applicable option had not been exercised.

(b) If Tenant exercises its option to extend the Term, Landlord shall, within thirty (30) days after the receipt of Tenant's notice of exercise, notify Tenant in writing of Landlord's reasonable determination of the Minimum Rent for the Demised Premises, which amount shall be Landlord's reasonable determination of "Market Rent" (as defined herein) for the Demised Premises. "Market Rent" shall mean the then prevailing market rate for base minimum rental calculated on a per square foot basis for leases covering buildings comparable to the Building (as adjusted for any variances between such buildings and the Building) located in the area of Shelby County, Tennessee (hereinafter referred to as the "Market Area"), taking into account all relevant factors for space of this type in the Market Area for the applicable two (2) year option period. In no event shall Landlord's reasonable determination of the Minimum Rent be less than the Minimum Rent for the last year of the prior Term. Tenant shall have thirty (30) days from its receipt of Landlord's notice to notify Landlord in writing that Tenant does not agree with Landlord's determination of the Minimum Rent and therefore that Tenant elects to

retract its option to extend the Term, in which case the Term, as it may have been previously extended, shall expire on its scheduled expiration date and Tenant's option to extend the Term shall be void and of no further force and effect. If Tenant does not notify Landlord of such retraction within thirty (30) days of its receipt of Landlord's notice, Minimum Rent for the Demised Premises for the applicable extended term shall be the Minimum Rent set forth in Landlord's notice to Tenant."

11. Except as expressly provided herein, no free rent, tenant improvement allowances or other such financial concessions contained in the Lease shall apply to the Term as extended hereby.

12. Tenant represents to Landlord that, as of the date hereof, Landlord is not in default of the Lease.

13. This Amendment shall be governed by and construed in accordance with the substantive laws, not the conflicts laws or choice of law rules, of the State of Tennessee.

14. Except as amended hereby, the Lease shall be and remain in full force and effect and unchanged. As amended hereby, the Lease is hereby ratified and confirmed by Landlord and Tenant. To the extent the terms hereof are inconsistent with the terms of the Lease, the terms hereof shall control.

15. Landlord acknowledges that as of the Amendment Date, Tenant has paid Monthly Minimum Rent due through June 30, 1997.

16. For purposes of this Amendment, the term "Amendment Date" shall mean the date upon which this Amendment is signed by Landlord or Tenant, whichever is later.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and sealed as of the Amendment Date.

LANDLORD:

SUN LIFE ASSURANCE COMPANY OF
CANADA, a Canadian corporation

Date: 7/22/97

By: George M. Collins
Name: for PRESIDENT
Title: _____

By: Thomas V. Redell
for SECRETARY

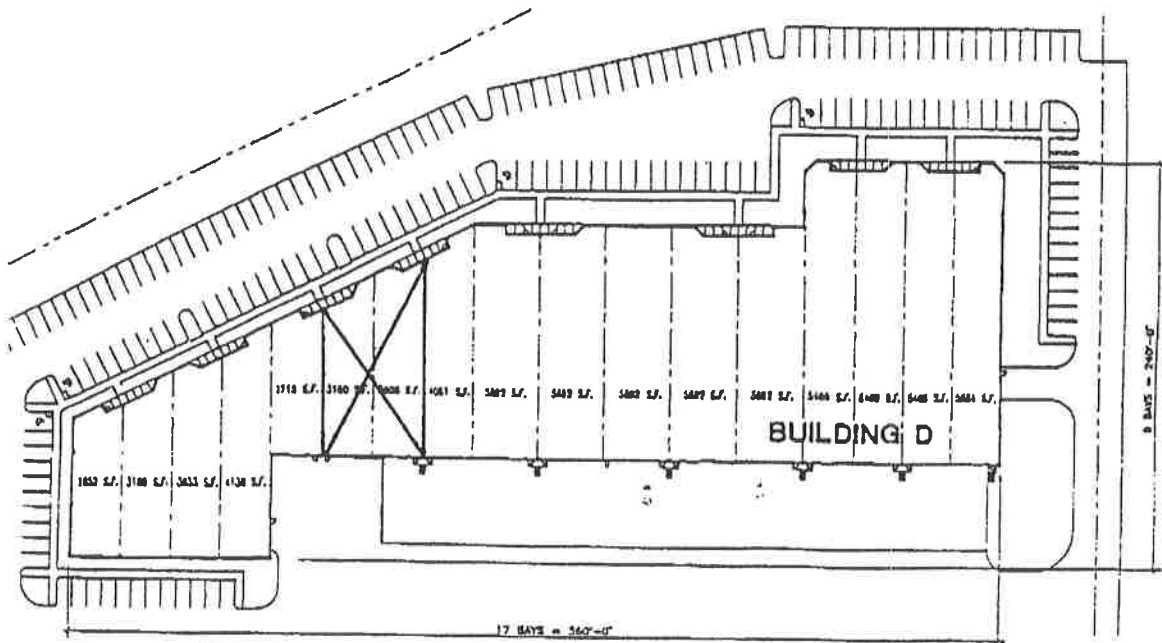
TENANT:

CORAM HEALTHCARE CORPORATION,
a Delaware corporation

Date: July 17, 1997

By: Richard M. Smith
Name: RICHARD M. SMITH
Title: CEO

Site Plan
1680 Century Center Parkway
Suite 12
Memphis, TN 38134



CENTURY CENTER BUSINESS PARK

REVISED

TO: TOM M.
FROM AL SLIGER

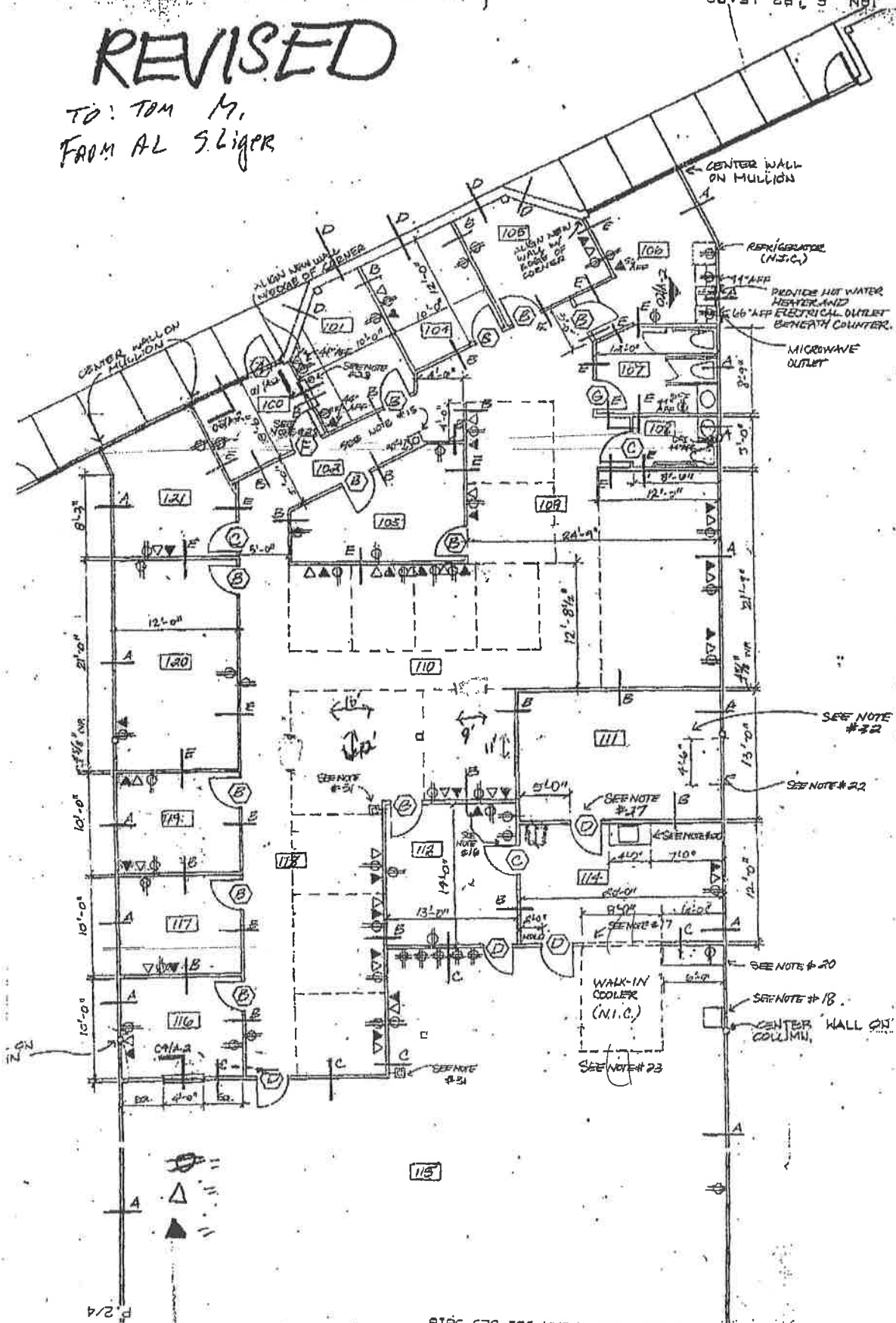


EXHIBIT B

Plans and Specifications

Those certain plans and specifications prepared for Baxter Healthcare Corp. by The Crump Firm, Inc., dated January 15, 1992, consisting of pages A-1 and A-2.

EXHIBIT C

Special Stipulations

The Special Stipulations set forth herein are hereby incorporated into the body of the preceeding lease, and to the extent of any conflict between these Stipulations and the preceeding language, these Stipulations shall govern and control.

1. Operating Expenses. Landlord hereby agrees that, with regard to Tenant's share of excess Operating Expenses as set forth in Section 6, during the twelve calendar month period following the Lease Commencement Date, Tenant's share of all such excess Operating Expenses shall not exceed \$.40 per square foot of the Demised Premises.

2. Use of Demised Premises. Landlord represents that to Landlord's actual knowledge, there are no zoning ordinances or other laws prohibiting the use of the Demised Premises for the warehousing, distribution and compounding of pharmaceutical products. Should any law, regulation or other governmental order prohibit such use, such that Landlord shall be unable to obtain building permits for the construction of the Demised Premises described in Section 17, then Tenant may cancel this Lease upon written notice to Landlord within ten (10) days following that date upon which such permits shall be denied and thereupon Tenant shall have no further obligation to Landlord.

3. Landlord Indemnity. Landlord shall be responsible for, shall have the obligation to insure against, and shall indemnify Tenant and hold it harmless from, any and all liability for any loss, damage or injury to person or property occurring in, on or about the common areas and facilities of the Building and the walks, driveways, parking lot and landscaped areas adjacent to the Building, regardless of cause, except for negligence of Tenant and its employees, agents, customers, licensees and invitees; and Landlord hereby releases Tenant from any and all liability for the same. Landlord's obligation to indemnify Tenant hereunder shall include the duty to defend against any claims asserted against Tenant by reason of such loss, damage or injury and to pay any judgments, settlements, costs, fees and expenses incurred in connection therewith.

4. Governmental Regulations. Landlord represents that, as of the date of execution of this Lease, the Demised Premises are in compliance with all laws and ordinances and notices, orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof, and notices, orders, rules and regulations of the National Board of Fire Underwriters, or any other body exercising similar functions, relating to all or any part of the Demised Premises as of the date of execution of this Lease.

5. Environmental Matters.

(a) Landlord represents that to Landlord's actual knowledge, as of the date of execution of this Lease the Demised Premises are in material compliance with all applicable Environmental Laws. To Landlord's actual knowledge (i) there is no litigation or proceeding pending against Landlord or involving the Demised Premises regarding the presence of Hazardous Substances in the Demised Premises; (ii) there has never been any generation, treatment, recycling, or disposal of Hazardous Substances upon or within the Demised Premises; and

(iii) there has never been any underground storage tank located upon or within the Demised Premises.

(b) Landlord hereby agrees to indemnify and hold Tenant harmless from and against any loss, cost or expense which Tenant may incur (including, without limitation, attorneys fees) as a result of the presence of Hazardous Substances upon or within the Demised Premises (i) existing on or prior to the Lease Commencement Date, unless such Hazardous Substances were brought to the Demised Premises by or due to the act of Tenant, its agents or contractors, or (ii) existing after the Lease Commencement Date, if and only if such Hazardous Substances were brought to the Demised Premises by or due to the act of Landlord, its agents or contractors.

(c) Landlord and Tenant each agree to give notice to the other promptly upon the discovery of any Contamination or release of Hazardous Substances within the Demised Premises.

(d) In the event of a Contamination or other release of Hazardous Substances upon or within the Demised Premises, which Contamination or release (i) is not caused by the act or negligence of Tenant, its agents, contractors, invitees or licensees; (ii) is not remedied by Landlord, whether or not Landlord is liable for remedying such condition; and (iii) materially interferes with Tenant's use of the Demised Premises, then Tenant shall have the option to terminate this Lease upon written notice to Landlord within forty-five (45) days after Tenant is notified of such Contamination or release. Upon such termination, neither party shall have any further liability hereunder except as otherwise set forth in this Lease.

(e) Landlord and Tenant acknowledge that during the ordinary course of Tenant's operation of its business as the compounding, warehousing and distribution of pharmaceutical products, Tenant will use materials which contain Hazardous Substances. Notwithstanding the provisions of Section 16(b), Landlord agrees that it shall not unreasonably withhold its consent to Tenant's bringing or using such Hazardous Substances upon or within the Demised Premises. In the event that Landlord shall deny consent as to any Hazardous Substance, and such Hazardous Substance is essential to Tenant's operation within the Demised Premises, Tenant may terminate this Lease by written notice to Landlord given within thirty (30) days after such denial by Landlord. Tenant agrees to provide to Landlord from time to time upon reasonable request a list of the Hazardous Substances which Tenant is currently using within the Demised Premises, which list shall be as complete as is reasonably possible. Tenant shall be prohibited from repackaging the Hazardous Substances brought to the Demised Premises into containers other than the containers which contain the Hazardous Substances when originally brought into the Demised Premises.

Upon prior written notice to Tenant, and in the company of a representative of Tenant, Landlord reserves the right to enter the Demised Premises at reasonable times to inspect the Demised Premises with regard to Tenant's use of Hazardous Substances therein. In the event that Landlord or Landlord's consultant shall reasonably determine that a situation exists in the Demised Premises which endangers life or property, due to Tenant's use of such Hazardous Substances, Tenant agrees to cooperate with Landlord to eliminate such situation.

Notwithstanding anything to the contrary herein, Tenant shall under no circumstances whatsoever treat, store or dispose of any hazardous waste within the Demised Premises, the Building or the Project. For purposes of the previous sentence, the terms "treat", "store", "dispose" and "hazardous

waste" shall have the meanings defined in the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et. sec., and the regulations promulgated thereunder.

6. Construction of Demised Premises.

(a) Landlord will, at its sole cost and expense (except as set forth herein), design, construct, furnish and equip the Premises in accordance with the drawings, requirements and criteria described in the plans and specifications described in Exhibit B (the "Plans and Specifications").

No changes to the Plans and Specifications, however insignificant, will be made except by mutual agreement and unless written change orders are signed by both Landlord and Tenant. All change orders must be signed by Robert A. Fischer (Landlord's "Construction Representative") on behalf of Landlord and by Al Sliger (Tenant's "Construction Representative") on behalf of Tenant and will be noted on the Plans and Specifications. If either party wishes to authorize other or additional individuals to sign change orders, it may do so by written notice to the other party. Landlord will not unreasonably withhold its approval of change orders requested by Tenant which do not add to the cost of construction, do not cause a delay in Substantial Completion, do not involve redoing any significant work already completed, are not significant in the context of the overall Project, do not decrease the quality of the Demised Premises, and do not decrease the marketability of the Demised Premises.

Landlord will cause the work of construction of the Demised Premises to be carried out in accordance with the Plans and Specifications in a good and workmanlike manner and will use only first-class materials. Landlord will have responsibility to see that the construction complies with all applicable building, fire, health and sanitary codes and regulations. Landlord will also have responsibility for obtaining all necessary building permits and licenses.

Landlord will use its best efforts to achieve "Substantial Completion" of the construction prior to March 23, 1992. "Substantial Completion" is defined as (i) the completion of the Demised Premises by Landlord in accordance with the Plans and Specifications, minor punchlist items excluded, and (ii) Landlord's obtaining a Certificate of Occupancy which, but for work of Tenant in the Demised Premises, would allow the permanent occupancy of the Demised Premises for Tenant's intended use of office, warehousing, compounding and distribution of pharmaceutical products. Minor punchlist items are those items necessary for final completion of construction by Landlord which are normally considered minor by a licensed architect; provided, however, that installation of carpeting, wall coverings, interior partitions, ceiling tiles and similar work will not be considered minor.

Landlord agrees to provide Tenant within seven (7) days after Tenant's Lease execution with a proposed construction schedule of all work necessary for Substantial Completion in order to permit Tenant to monitor the progress of the construction and to permit Tenant to plan for and arrange an orderly relocation to the Premises. In connection therewith, Landlord will give Tenant approximately two (2) weeks prior written notice of the estimated Substantial Completion date, provided, however, in the event that Landlord determines that it will be unable to complete the tenant finish improvements and have Demised Premises ready for occupancy by March 23, 1992, Landlord shall give Tenant notice to that effect as soon as reasonably possible.

All requests and communications to either Landlord or Tenant with respect to the construction described herein will come to its respective Construction Representative. Either party may change the identity of the Construction Representative at any time by written notice to the other party.

Prior to Substantial Completion of the construction, Landlord shall, by notice to Tenant, grant Tenant access to the Demised Premises for the purpose of installing telephone and like equipment, and doing such other work as may be necessary to prepare for occupancy of the Demised Premises, provided that Tenant's Construction Representative first schedules all such items with Landlord's Construction Representative. In doing so, Tenant will not interfere with Landlord's work in completing the construction of the Demised Premises in accordance with the Plans and Specifications. Moreover, Tenant agrees to indemnify and hold Landlord harmless from any loss or damage attributable to Tenant's activities in this regard.

(b) Landlord will use best efforts to have the construction described herein substantially completed and the Demised Premises ready for occupancy on or before March 23, 1992.

Subject to Delay as set forth below, if Landlord has not substantially completed the Demised Premises by the date which is sixty (60) days after the later to occur of (i) the execution of this Lease by Landlord and Tenant, (ii) the final approval of the Plans and Specifications by Landlord and Tenant, and (iii) the issuance of a building permit by Shelby County, Tennessee, then for every day thereafter until the day Landlord substantially completes and delivers the Demised Premises to Tenant but not after August 1, 1992, Tenant shall receive one (1) day rent free. If Landlord has not substantially completed the Demised Premises by August 1, 1992, then Tenant shall have the right to terminate this Lease by written notice to Landlord delivered on or before August 1, 1992, without further obligation to either party after termination, except that Tenant reserves any cause of action it might have against Landlord for Landlord's willful failure to perform.

(c) Landlord's obligation to abate rent as set forth in (b) above shall be deferred by one (1) day for each day Landlord shall be delayed in substantially completing tenant finish improvements as a result of any one or more of the following (a "Delay"):

(i) Tenant's alteration or additions to the Plans and Specifications which causes delay;

(ii) Such other acts or omissions by Tenant, or Tenant's agents as delay completion of the tenant improvements;

(iii) Such events and other conditions not the fault of and reasonably beyond Landlord's control, including weather, strikes, acts of God, civil commotion, riots, war or governmental actions.

(d) Tenant's Acceptance of the Demised Premises. Landlord's sole construction obligation regarding leasehold improvements for Tenant will be as set forth in Exhibit B. Subject to the provisions which follow, Tenant, by taking possession of the Demised Premises, acknowledges having inspected the Demised Premises and accepts them as being in good order, condition and repair and as having been constructed in accordance with the Plans and Specifications. Tenant will have a period of thirty (30) days after taking possession of

the Demised Premises in which to advise Landlord of construction deficiencies or defects, in addition to the punchlist items, by written notice to Landlord. Landlord will promptly repair, replace or complete at its expense all items properly included either on Tenant's punchlist or on the 30-day notice referred to above.

(e) In the event the Substantial Completion of the tenant improvements by Landlord shall be delayed beyond the date set forth in Section 1 for the Lease Commencement Date, then the Lease Commencement Date and the Termination Date shall be correspondingly extended. Upon substantial completion of the improvements, Landlord and Tenant agree to execute a lease memorandum setting forth the exact Commencement Date and Expiration Date.

(f) Landlord hereby warrants to Tenant that the materials and equipment furnished by Landlord's contractors in the completion of the tenant improvements will be of good quality and new, that during the one (1) year period following the date of Substantial Completion of the tenant improvements, such materials and equipment and the work of such contractors shall be free from defects not inherent in the quality required or permitted hereunder, and that such work will conform to the Plans and Specifications. This warranty shall exclude damages or defects caused by abuse by Tenant, its employees, invitees, licensees, contractors and agents, improper or insufficient maintenance, improper operation, or normal wear and tear under normal usage.

8. Tenant Alterations and Additions.

Notwithstanding the provisions of Section 18, Tenant shall be permitted to make nonstructural alterations to the Demised Premises at a cost of up to Ten Thousand Dollars (\$10,000.00) without the prior consent of Landlord, provided that (i) Tenant shall give Landlord notice of such alterations, and (ii) Tenant shall be responsible for insuring all such alterations.

9. Fire or Other Casualty.

(a) If the Demised Premises should be substantially destroyed (which, as used herein, means destruction or damage which cannot be repaired, in the reasonable opinion of Landlord and Tenant, within one hundred twenty (120) days after the date of such damage) by fire or other casualty, either party hereto may, at its option, terminate this Lease by giving written notice thereof to the other party within thirty (30) days of such casualty. In such event, the rent shall be apportioned to and shall cease as of the date of such casualty. In the event neither party exercises this option, then the Building or the Demised Premises shall be reconstructed and restored, at Landlord's expense to the extent Landlord shall receive insurance proceeds therefor, to substantially the same condition as they were prior to the casualty.

(b) If the Demised Premises should be rendered partially untenable for the purpose for which they were leased (which, as used herein, means such destruction or damage which can be repaired, in the reasonable opinion of Landlord and Tenant, within one hundred twenty (120) days after the date of such damage) by fire or other casualty, then such damaged part of the Demised Premises shall be reconstructed and restored, at Landlord's expense, to the extent Landlord shall receive insurance proceeds therefor, to substantially the same condition as it was prior to the casualty; rent shall be abated in the proportion which the approximate area of the damaged part bears to the total area in the Demised Premises from the date of the casualty until substantial completion of the reconstruction repairs; and this Lease shall continue in full

force and effect for the balance of the Term. Landlord shall use reasonable diligence in completing such reconstruction repairs, but in the event Landlord fails to substantially complete the same within one hundred twenty (120) days from the date of the casualty, as extended by Delay, Tenant may, at its option, terminate this Lease upon giving Landlord written notice to that effect, whereupon both parties shall be released from all further obligations and liability hereunder except as set forth herein.

(c) Landlord shall be responsible for insuring and shall at all times during the term of this Lease carry, at its own expense but subject to reimbursement as set forth in Section 6, a policy of insurance which insure the shell of the Building, including the Demised Premises, against loss or damage by fire or other casualty (namely, the perils against which insurance is afforded by the standard fire insurance policy and extended coverage endorsement); provided, however, that Landlord shall not be responsible for, and shall not be obligated to insure against, any loss or damage to be insured against by Tenant pursuant to Section 8, or to personal property (including, but not limited to, any furniture, machinery, equipment, goods or supplies) of Tenant or which Tenant may have on the Demised Premises or any trade fixtures installed by or paid for by Tenant on the Demised Premises or any additional improvements which Tenant may construct on the Demised Premises. If Tenant's operation or any alterations or improvements made by Tenant pursuant to the provisions of Section 18 or Stipulation 8 hereof result in an increase in the premiums charge during the term of this Lease on the casualty insurance carried by Landlord on the Building, then the cost of such increase in insurance premiums shall be borne by Tenant, who shall reimburse Landlord for the same as additional rent after being separately billed therefor.

10. Landlord Default. It shall be a default and breach of this Lease by Landlord if it shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from tenant; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is of such nature that the same cannot reasonably be performed within such 30-day period, such default shall be deemed to have been cured if Landlord commences such performance within said 30-day period and thereafter diligently undertakes to complete the same. Upon the occurrence of any such default, Tenant may sue for injunctive relief or to recover damages for any loss resulting from the breach.

11. Assignment and Subleasing. Notwithstanding the provisions of Section 29, Tenant shall have the right, pursuant to prior written notice to Landlord, to assign this Lease or sublet all or any part of the Demised Premises to any parent, wholly-owned subsidiary or affiliate wholly-owned by Tenant's parent or any person, firm or corporation which shall control, be under the control, or be under common control with Tenant, or any corporation into which Tenant may be merged or consolidated or which purchases all or substantially all of the assets of Tenant, provided Tenant or the resultant parent corporation, in the case of assignment shall become or remain liable hereunder just as fully if such assignment or subletting had not been made, and such assignment or sublease shall not release Tenant from primary liability hereunder.

12. Quiet Enjoyment. Landlord covenants and represents that it has full and complete authority to enter into this Lease under all of the terms, conditions and provisions set forth herein, and so long as Tenant keeps and substantially performs each and every term, provision and

CENTURY CENTER BUSINESS PARK

FIRST AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

THIS FIRST AMENDMENT TO INDUSTRIAL LEASE AGREEMENT (this "Amendment") is made as of the Amendment Date (as hereinafter defined) by and between SUN LIFE ASSURANCE COMPANY OF CANADA, a Canadian corporation ("Landlord"), successor in interest to Industrial Developments International, Inc., a Delaware corporation, and CORAM HEALTHCARE CORPORATION, a Delaware corporation ("Tenant").

RECITALS

Industrial Developments International, Inc., predecessor in title to Landlord, and Baxter Healthcare Corp. ("Baxter") previously entered into that certain Industrial Lease Agreement with a Lease Date of January 16, 1992 (as assigned to and assumed by Tenant as hereinafter provided, the "Lease") for the lease of approximately 6,766 square feet of space, more commonly known as 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 (the "Demised Premises").

Following the Lease Date, Baxter assigned the Lease to Caremark, Inc. Tenant acquired certain assets of Caremark, Inc., including the operations on the Demised Premises and, in connection therewith, the Lease was assigned to Tenant. In connection with such assignment, Tenant assumed and is directly liable to Landlord for all obligations of "Tenant" under the Lease arising from and after April 1, 1995, without releasing Baxter from its obligations under the Lease. Landlord recognizes Tenant as "Tenant" under the Lease, as amended hereby. Landlord does not hold a security deposit with respect to the Lease.

Landlord and Tenant have agreed to extend the Term of the Lease for an additional three (3) year period, to establish the Minimum Rent for such extension period, and otherwise to modify the terms and conditions of the Lease, all as more particularly set forth herein.

AGREEMENT

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. All capitalized terms used herein but undefined shall have the meanings ascribed thereto in the Lease.

2. The foregoing recitals are hereby incorporated herein by reference and are hereby ratified and confirmed by the parties hereto as being true and correct.

3. The following is added at the end of Section 1(d) of the Lease:

| | |
|-------------------------------|-------------|
| June 30, 1997 - June 30, 1998 | \$57,511.00 |
| July 1, 1998 - June 30, 1999 | \$59,202.50 |
| July 1, 1999 - June 30, 2000 | \$60,894.00 |

4. The following is added at the end of Section 1(e) of the Lease:

| | |
|-------------------------------|------------|
| June 30, 1997 - June 30, 1998 | \$4,792.58 |
| July 1, 1998 - June 30, 1999 | \$4,933.54 |
| July 1, 1999 - June 30, 2000 | \$5,074.50 |

For any partial months or where Monthly Minimum Rent changes within a month, Monthly Minimum Rent shall be apportioned pro rata on a per diem basis for the period.

5. The Lease Commencement Date, as defined in Section 1(f) of the Lease, is hereby changed from "March 1, 1992" to "March 30, 1992."

6. The Minimum Rent Commencement Date, as defined in Section 1(g) of the Lease, is hereby changed from "September 1, 1992" to "September 30, 1992."

7. The Termination Date, as defined in Section 1(h) of the Lease, is hereby extended from June 30, 1997 to June 30, 2000. As and wherever such term is used in the Lease, "Term" shall be deemed to mean the period commencing on the Lease Commencement Date and terminating on the Termination Date, as extended hereby.

8. The Term of the Lease as set forth in Section 1(i) of the Lease is hereby amended by deleting therefrom "63 months" and by inserting in lieu thereof "Ninety-nine (99) months, one (1) day".

9. The address for notice for Landlord and Tenant as set forth in Section 1(n) of the Lease is hereby deleted in its entirety and the following is inserted in lieu thereof:

Landlord: Sun Life Assurance Company of Canada
One Sun Life Executive Park
Wellesley Hills, Massachusetts 02181
Attn: U.S. Real Estate Department (SC 1307)

Tenant: Coram Healthcare Corporation
1125 17th Street, Suite 2100
Denver, Colorado 80202
Attn: Treasury Manager

With a copy to: Bayshore Partners
1400 Quail Street, Suite 250
Newport Beach, California 92660
Attn: David Newton

10. Special Stipulation 14 in Exhibit C to the Lease is hereby deleted in its entirety, and the following is hereby inserted in lieu thereof:

"14. Option to Extend Term.

(a) Landlord hereby grants to Tenant one (1) option to extend the Term for a period of two (2) years, such option to be exercised by Tenant giving written notice of its exercise to Landlord in the manner provided in this Lease at least one hundred eighty (180) days prior to (but not more than two hundred ten (210) days prior to) the expiration of the Term, as it may have been previously extended. No extension option may be exercised by Tenant if an Event of Default has occurred and is then continuing or any facts or circumstances then exist which, with the giving of notice or the passage of time, or both, would constitute an Event of Default either at the time of exercise of the option or at the time the applicable Term would otherwise have expired if the applicable option had not been exercised.

(b) If Tenant exercises its option to extend the Term, Landlord shall, within thirty (30) days after the receipt of Tenant's notice of exercise, notify Tenant in writing of Landlord's reasonable determination of the Minimum Rent for the Demised Premises, which amount shall be Landlord's reasonable determination of "Market Rent" (as defined herein) for the Demised Premises. "Market Rent" shall mean the then prevailing market rate for base minimum rental calculated on a per square foot basis for leases covering buildings comparable to the Building (as adjusted for any variances between such buildings and the Building) located in the area of Shelby County, Tennessee (hereinafter referred to as the "Market Area"), taking into account all relevant factors for space of this type in the Market Area for the applicable two (2) year option period. In no event shall Landlord's reasonable determination of the Minimum Rent be less than the Minimum Rent for the last year of the prior Term. Tenant shall have thirty (30) days from its receipt of Landlord's notice to notify Landlord in writing that Tenant does not agree with Landlord's determination of the Minimum Rent and therefore that Tenant elects to

retract its option to extend the Term, in which case the Term, as it may have been previously extended, shall expire on its scheduled expiration date and Tenant's option to extend the Term shall be void and of no further force and effect. If Tenant does not notify Landlord of such retraction within thirty (30) days of its receipt of Landlord's notice, Minimum Rent for the Demised Premises for the applicable extended term shall be the Minimum Rent set forth in Landlord's notice to Tenant."

11. Except as expressly provided herein, no free rent, tenant improvement allowances or other such financial concessions contained in the Lease shall apply to the Term as extended hereby.

12. Tenant represents to Landlord that, as of the date hereof, Landlord is not in default of the Lease.

13. This Amendment shall be governed by and construed in accordance with the substantive laws, not the conflicts laws or choice of law rules, of the State of Tennessee.

14. Except as amended hereby, the Lease shall be and remain in full force and effect and unchanged. As amended hereby, the Lease is hereby ratified and confirmed by Landlord and Tenant. To the extent the terms hereof are inconsistent with the terms of the Lease, the terms hereof shall control.

15. Landlord acknowledges that as of the Amendment Date, Tenant has paid Monthly Minimum Rent due through June 30, 1997.

16. For purposes of this Amendment, the term "Amendment Date" shall mean the date upon which this Amendment is signed by Landlord or Tenant, whichever is later.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and sealed as of the Amendment Date.

LANDLORD:

SUN LIFE ASSURANCE COMPANY OF
CANADA, a Canadian corporation

Date: 7/22/97

By: [Signature]
Name: for PRESIDENT
Title:

BY: [Signature]
for SECRETARY

TENANT:

CORAM HEALTHCARE CORPORATION,
a Delaware corporation

Date: July 17, 1997

By: [Signature]
Name: RICHARD H. SMITH
Title: CEO

**CORAM HEALTHCARE CORPORATION
MEMPHIS, TENNESSEE****LEASE SUMMARY
2ND AMENDMENT TO INDUSTRIAL LEASE AGREEMENT**

| | |
|----------------------------|---|
| <i>Address</i> | 1680 Century City Parkway, Suite 12 Memphis, TN |
| <i>Area</i> | 6,766 rsf |
| <i>Term</i> | Five years commencing 7/1/00, and terminating 6/30/05. |
| <i>Rental Rate</i> | 7/1/00 - 6/30/01 \$5,215.00 per month, or \$9.25 psf 7/1/01 - 6/30/02 \$5,356.00 per month, or \$9.50 psf 7/1/02 - 6/30/03 \$5,497.00 per month, or \$9.75 psf 7/1/03 - 6/30/04 \$5,638.00 per month, or \$10.00 psf 7/1/04 - 6/30/05 \$5,779.00 per month, or \$10.25 psf |
| <i>Additional Expenses</i> | Tenant to pay its pro rata share of operating expenses above a \$0.50 stop. Estimated expenses for real estate taxes, building insurance and CAMS for Year 2000 will be approximately \$1.75 per square foot. (Coram is currently paying \$793.11 per month in CAM charges.) |
| <i>Tenant Improvements</i> | \$7,000.00 toward cleaning of carpet and painting of premises. |
| <i>Option to Renew</i> | Tenant has one (1) option to renew the lease for five (5) years at market. Tenant to provide written notice at least 180 days (12/31/04), but not more than 210 days (11/30/04), prior to the expiration of the term. |
| <i>Security Deposit</i> | None |
| <i>Landlord's Address:</i> | Sun Life Assurance Company of Canada One Sun Life Executive Park Wellesley Hills, MA 02181 Attn: US Real Estate Department (SC1307) |
| <i>Property Manager:</i> | Industrial Developments International 4105 Hickory Hill Road, Suite 101 Memphis, TN <i>Contact:</i> Kurt Nelson <i>Phone:</i> 901-385-7000 <i>Fax:</i> 901-385-0505 |

CORAM HEALTHCARE CORPORATION
MEMPHIS, TENNESSEE

IMPORTANT DATE LIST
2ND AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

| | |
|-------------------|--|
| July 1, 2000 | <u>Commencement Date.</u> Rent equals \$5,215.00 per month. |
| July 1, 2001 | <u>Base Rent Increases</u> to \$5,356.00 per month. |
| July 1, 2002 | <u>Base Rent Increases</u> to \$5,497.00 per month. |
| July 1, 2003 | <u>Base Rent Increases</u> to \$5,638.00 per month. |
| July 1, 2004 | <u>Base Rent Increases</u> to \$5,779.00 per month. |
| November 30, 2004 | <u>Option to Renew.</u> First day to extend the lease term for an additional five (5) years at market. |
| December 31, 2004 | <u>Option to Renew.</u> Last day to extend the lease term for an additional five (5) years at market. |
| June 30, 2005 | <u>Lease Terminates.</u> |

SECOND AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

THIS SECOND AMENDMENT TO INDUSTRIAL LEASE AGREEMENT (this "Amendment") is made as of the Amendment Date (as hereinafter defined) by and between SUN LIFE ASSURANCE COMPANY OF CANADA, a Canadian corporation ("Landlord"), successor in interest to Industrial Developments International, Inc., a Delaware corporation, and CORAM HEALTHCARE CORPORATION, a Delaware corporation d/b/a Coram Alternate Site Services, Inc. ("Tenant").

RECITALS

Industrial Developments International, Inc., predecessor in title to Landlord, and Baxter Healthcare Corp. ("Baxter") previously entered into that certain Industrial Lease Agreement with a Lease Date of January 16, 1992 (as assigned to and assumed by Tenant as hereinafter provided, the "Lease"), and further Amended, by First Amendment to Industrial Lease Agreement dated July 22, 1997, ("First Amendment"), for the lease of approximately 6,766 square feet of space, more commonly known as 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134, (the "Demised Premises").

Following the Lease Date, Baxter assigned the Lease to Caremark, Inc. Tenant acquired certain assets of Caremark, Inc., including the operations of the Demised Premises and, in connection therewith, the Lease was assigned to Tenant. In connection with such assignment, Tenant assumed and is directly liable to Landlord for all obligations of "Tenant" under the Lease arising from and after April 1, 1995, without releasing Baxter from its obligations under the lease. Landlord recognizes Tenant as "Tenant" under the Lease, as amended hereby. Landlord does not hold a security deposit with respect to the Lease.

Landlord and Tenant have agreed to extend the Term of the Lease for an additional five (5) year period, to establish the Minimum Rent for such extension period, and otherwise to modify the terms and conditions of the Lease, all as more particularly set forth herein.

AGREEMENT

NOW THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. All capitalized terms used herein but undefined shall have the meanings ascribed thereto in the Lease.
2. The foregoing recitals are hereby incorporated herein by reference and are hereby ratified and confirmed by the parties hereto as being true and correct.
3. The following schedule of base rent will commence July 1, 2000.

| <u>TERM</u> | <u>ANNUAL</u> | <u>PER MONTH</u> |
|-------------------------------|---------------|------------------|
| July 1, 2000 to June 30, 2001 | \$62,580.00 | \$ 5,215.00 |
| July 1, 2001 to June 30, 2002 | \$64,272.00 | \$ 5,356.00 |
| July 1, 2002 to June 30, 2003 | \$65,964.00 | \$ 5,497.00 |
| July 1, 2003 to June 30, 2004 | \$67,656.00 | \$ 5,638.00 |
| July 1, 2004 to June 30, 2005 | \$69,348.00 | \$ 5,779.00 |

4. The Termination date, as defined in Section 1(h) of the Lease, as amended pursuant to Section 7 of First Amendment to Industrial Lease Agreement dated July 22, 1997, is hereby extended from June 30, 2000 to June 30, 2005. As and wherever such term is used in the Lease, "Term" shall be deemed to mean the period commencing on the Lease Commencement Date and terminating on the Termination Date, as extended hereby.
5. The Term of the Lease as set forth in Section 1(i) of the Lease, as amended pursuant to Section 8 of First Amendment to Industrial Lease Agreement dated July 22, 1997, is hereby amended by deleting therefrom "Ninety-nine (99) months, one (1) day" and by inserting in lieu thereof "One Hundred Fifty Nine (159) months".
6. Landlord agrees to clean the carpet and paint the Demised Premises up to a maximum cost equal to Seven Thousand Dollars and no/100, (\$7,000.00). Prior to commencement of any work, Tenant will obtain bids and select contractors which are acceptable to Landlord. Landlord will then hire said contractors to perform the carpet cleaning and painting. If the costs of carpet cleaning and painting exceed Seven Thousand Dollars and no/100 (\$7,000.00), Tenant will pay the excess amount to Landlord within ten (10) days of completion of the contracted work.
7. Option to Extend Term
 - (a) Landlord hereby grants to Tenant one (1) option to extend the Term for a period of five (5) years, such option to be exercised by Tenant giving written notice of its exercise to Landlord in the manner provided in this Lease at least one hundred eighty (180) days prior to (but not more than two hundred ten (210) days prior to) the expiration of the Term, as it may have been previously extended. No extension option may be exercised by Tenant if an Event of Default has occurred and is then continuing or any facts or circumstances then exist which, with the giving of notice or the passage of time, or both, would constitute an Event of Default either at the time of exercise of the option or at the time the applicable Term would otherwise have expired if the applicable option had not been exercised.
 - (b) If Tenant exercises its option to extend the Term, Landlord shall, within thirty (30) days after the receipt of Tenant's notice of exercise, notify Tenant in writing of Landlord's reasonable determination of the Minimum Rent for the Demised Premises, which amount shall be Landlord's reasonable determination of "Market Rent" (as defined herein) for the Demises Premises. "Market Rent" shall mean the then prevailing market rate for base minimum rental calculated on a per square foot basis for leases covering buildings comparable to the Building (as adjusted for any variances between such buildings and the Building) located in the area of Shelby County, Tennessee (hereinafter referred to as the "Market Area"), taking into account all relevant factors for space of this type in the Market Area for the applicable five (5) year option period. In no event shall Landlord's reasonable determination of the Minimum Rent be less than the Minimum Rent for the last year of the prior Term. Tenant shall have thirty (30) days from its receipt of Landlords notice to notify Landlord in writing that Tenant does not agree with Landlord's determination of the Minimum Rent and therefore that Tenant elects to retract its option to extend the Term, in which case the Term, as it may have been previously extended, shall expire on its scheduled expiration date and Tenant's option to extend the Term shall be void and of no further force and effect. If Tenant does not notify Landlord of such retraction within thirty (30) days of its receipt of Landlord's notice, minimum Rent for the Demised Premises for the applicable extended term shall be the Minimum Rent set forth in Landlord's notice to Tenant."

8. Except as expressly provided herein, no free rent, tenant improvement allowances or other such financial concessions contained in the Lease or First Amendment to Lease shall apply to the Term as extended hereby.
9. Tenant represents to Landlord that, as of the date hereof, Landlord is not in default of the Lease.
10. This Amendment shall be governed by and construed in accordance with the substantive laws, not the conflicts laws or choice of law rules, of the State of Tennessee.
11. Except as amended hereby, the Lease shall be and remain in full force and effect and unchanged. As amended hereby, the lease is hereby ratified and confirmed by landlord and Tenant. To the extent the terms hereof are inconsistent with the term of the Lease, the terms hereof shall control.
12. For the purposes of this Second Amendment, the term "Amendment Date" shall mean the date upon which this Amendment is signed by Landlord or Tenant, whichever is later.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed and sealed as of the Amendment Date.

LANDLORD:

SUN LIFE ASSURANCE COMPANY OF
CANADA, a Canadian corporation

Date: 3-31-00

By: George M. Collins
FOR PRESIDENT

By: Tom V. Reddick
FOR SECRETARY

TENANT:

CORAM HEALTHCARE
CORPORATION, a Delaware corporation d/b/a
Coram Alternate Site Services, Inc.

Date: 3-15-00

By: Perry Bernocchi
Name: Perry Bernocchi
Title: Sr. V.P. Operations

By: John T. McIntyre II
Name: JOHN T. MCINTYRE II
Title: V.P., TREASURY

THIRD AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

This Third Amendment to Industrial Lease Agreement (the "Amendment") is entered into as of the 27th day of May 2005 (being the date of execution by the last party to sign this Amendment) by and between **Sun Life Assurance Company of Canada**, a Canadian corporation ("Landlord"), and **Coram Inc.**, a Delaware corporation ("Tenant"). Any capitalized terms not defined herein shall have the same meanings as in the Lease, as hereinafter defined.

WHEREAS, Tenant's predecessor-in-interest Baxter Healthcare Corp. ("Baxter") and Landlord's predecessor-in-interest Industrial Developments International, Inc. ("IDI") entered into a certain Industrial Lease Agreement dated January 16, 1992, as modified by Tenant Acceptance of Demised Premises Agreement dated April 1, 1992 between Baxter and IDI, and as assigned to Tenant's predecessor-in-interest Coram Healthcare Corporation ("CHC") effective April 1, 1995 and further modified by First Amendment to Industrial Lease Agreement dated July 22, 1997 and Second Amendment to Industrial Lease Agreement dated March 31, 2000, the said First and Second Amendments both being by and between Landlord and CHC (collectively, the "Lease"), Tenant having succeeded CHC as Tenant under the Lease pursuant to the Chapter 11 Trustee's Second Amended Plan of Reorganization, entered in the jointly administered Chapter 11 proceedings of CHC and Tenant effective as of December 1, 2004, pursuant to which Tenant occupies the Demised Premises containing a total of 6,766 square feet of space, known as Suite 12, in Building D of the Century Center Business Park, located at 1680 Century Center Parkway, Memphis, Tennessee (said Building containing a total of 77,925 square feet of space), for a term which the parties acknowledge expires on June 30, 2005; and

WHEREAS, Landlord and Tenant wish to extend the term of the Lease and otherwise modify the Lease, all in accordance with and subject to the terms and conditions set forth in this Amendment;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Addresses.

(a) Landlord's notice address under the Lease is hereby changed to the following:

Landlord: Sun Life Assurance Company of Canada
One Sun Life Executive Park, SC 1307
Wellesley Hills, Massachusetts 02481
Attention: Real Estate Investments

With a copy to: IDI Services Group
1000 Ridgeway Loop Road, Suite 100
Memphis, TN 38120

(b) Tenant's notice address under the Lease is hereby changed to the following:

Tenant: Coram, Inc.
1675 Broadway, Suite 900
Denver, Colorado 80202
Attention: Legal Department

(c) The address for rental payments under the Lease is hereby changed to the following:

Address for Sun Life Assurance Company of Canada
Rental Payments: c/o IDI Services Group
3424 Peachtree Road NE, Suite 1500
Atlanta, Georgia 30326

2. Extension of Term. The current term of the Lease is hereby extended for the five (5) year period beginning on July 1, 2005 and ending on June 30, 2010 (the "New Extension Term", which shall be the Term for all applicable purposes under the Lease).

3. Acceptance of Demised Premises; Tenant Improvements. Tenant hereby accepts possession of the Demised Premises for the New Extension Term in "AS-IS" condition, subject to the following:

Landlord, at Landlord's sole cost and expense, shall construct the following improvements in the Demised Premises in a good and workmanlike manner, using Building-standard materials in colors selected by Tenant but subject to Landlord's prior approval, which shall not be unreasonably withheld, conditioned or delayed:

- (i) Repaint the restrooms and office area, excluding the compound room and the remainder of the pharmacy area;
- (ii) Recarpet the office area, excluding all cubes and electrical equipment (including moving Tenant's furnishings before and after the recarpeting);
- (iii) Replace all flooring in the restrooms;
- (iv) Replace stained or broken ceiling tiles throughout the Demised Premises;
- (v) Furnish and install a garage door opener on the dock door;
- (vi) Furnish and install a dishwasher and in-sink garbage disposal unit;
- (vii) Remove the wall coverings in the vestibule and conference room and in one (1) private office;
- (viii) Replace the 6-ton HVAC unit servicing the pharmacy area and the 7.5-ton HVAC unit servicing the general office area;
- (ix) Replace the ceiling in the compounding room and dry-wall the opening to be created by the removal of the cooler; and
- (x) Construct a 6'-11" x 10'-7" storage area in accordance with the floor plan attached hereto as Exhibit A.

Tenant shall be solely responsible for the costs of any improvements Tenant may request other than those listed above. Once installed, all improvements shall be a part of the

Demised Premises and the sole property of Landlord. Tenant shall make reasonable efforts to avoid delaying or interfering with Landlord's performance of the improvements, and Landlord shall make reasonable efforts in performing the improvements to avoid interfering with Tenant's operations in the Demised Premises.

4. Base Rent for New Extension Term. During the New Extension Term, Tenant shall pay Annual and Monthly Base Rent for the Demised Premises in accordance with the following chart:

| Months | Annualized Base Rent | Monthly Base Rent | Rent p.s.f. |
|---------------------|----------------------|-------------------|-------------|
| 07/05 through 06/08 | \$68,336.60 | \$5,694.72 | \$10.10 |
| 07/08 through 06/10 | \$71,043.00 | \$5,920.25 | \$10.50 |

5. Operating Expenses and Additional Rent. Effective as of July 1, 2005, and notwithstanding anything to the contrary in Section 6(a) of the original Lease, Tenant shall pay to Landlord as additional rent, pursuant to said Section 6(a), Tenant's proportionate share of all Operating Expenses incurred by Landlord during the term of the Lease. The intent of this change is to eliminate the "stop" on Tenant's obligation to pay Operating Expenses and convert the Lease to a triple-net lease effective as of the commencement of the New Extension Term.

The parties hereby acknowledge that Tenant's Operating Expense Percentage under Section 6(a) of the original Lease is 8.68% (6,766 square feet of space in the Demised Premises divided by 77,925 square feet of space in the Building).

6. Option to Further Extend Term. The parties acknowledge that Tenant has either exercised or failed to exercise all options previously granted to Tenant to extend the term of the Lease, and that Tenant has no further rights or options to extend the term of the Lease beyond the expiration of the New Extension Term except as otherwise set forth in this Paragraph 6.

Tenant shall have a one-time option to extend the New Extension Term for the five (5) year period beginning on July 1, 2010 and ending on June 30, 2015 (the "Further Extension Term"), provided that at the time such option is exercised, and as of the expiration of the New Extension Term on June 30, 2010, Tenant is not in default under the Lease as amended hereby beyond any applicable notice or cure period and no facts or circumstances exist which, with the giving of notice or the passage of time, or both, would constitute a default by Tenant.

Tenant shall give written notice to Landlord of Tenant's intention to exercise this option at least one hundred eighty (180) days, but not more than two hundred ten (210) days, prior to the expiration of the New Extension Term on June 30, 2010, time being of the essence with respect to this provision. If Tenant gives notice of the exercise of this option to extend in the manner and within the time period provided herein, the New Extension Term shall be extended upon the giving of such notice and Landlord and Tenant shall enter into an amendment to the Lease to evidence such extension. If Tenant fails to give timely notice of the exercise of this option to extend, Tenant shall have no right to extend the New Extension Term.

If this option is exercised, the Further Extension Term shall be on the same terms, covenants, and conditions as apply to the New Extension Term, including those respecting the

payment of Operating Expenses as set forth in Paragraph 5 above, except that (1) there will be no further option to extend the term of the Lease beyond the expiration of the Further Extension Term, (2) the Demised Premises will be delivered to Tenant in their then "as-is" condition at the beginning of the Further Extension Term, (3) Tenant's Annual and Monthly Base Rent for the Demised Premises during the Further Extension Term will be equal to the fair market rental rate for comparable space in the Memphis area at the time the option is exercised, as agreed upon by Tenant and Landlord. If Tenant and Landlord are unable to agree on the fair market rental rate within thirty (30) days after Landlord receives Tenant's notice of its intention to exercise this option to extend, Tenant, at Tenant's option, exercisable by written notice given to Landlord within ten (10) days thereafter, may withdraw its exercise of the option to extend, in which event the Lease shall remain in effect through June 30, 2010 and Tenant shall have no further right to extend the New Extension Term. If Tenant fails to give such notice of withdrawal in the manner and within the time limits specified, Tenant shall be deemed to have accepted the fair market rental rate last proposed by Landlord.

7. Brokers. Each party hereby represents and warrants to the other that it has not dealt with any real estate broker or agent in connection with this Amendment or its negotiation except IDI Services Group (Landlord's broker) and Bayshore Partners, Inc. (Tenant's broker), whose commissions and fees in connection with the negotiation and execution of this Amendment shall be paid by Landlord pursuant to separate written agreement. Each party shall indemnify and hold the other harmless from any cost, expense, or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Amendment or its negotiation by reason of any act or statement of the indemnifying party.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that the Landlord as named herein and each successive owner of the Demised Premises shall be liable only for obligations accruing during the period of their respective ownership of the Demised Premises, and provided further, that nothing in this Paragraph 8 shall be deemed to authorize any assignment or other transfer, in whole or in part, of the interest of Tenant in violation of any of the provisions of the Lease as amended hereby.

9. Effective Only Upon Execution and Delivery. The submission of this Amendment for execution does not constitute an offer to amend the Lease, and this Amendment shall become effective only upon its execution and delivery by both Landlord and Tenant.

10. No Further Modifications. Except as modified hereby, the terms and conditions of the Lease as previously modified shall remain in full force and effect, and the parties hereby ratify and confirm the Lease as previously modified and as modified hereby.

11. Entire Agreement. This Amendment contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior dealings between the parties with respect to such matters.

IN WITNESS WHEREOF, the parties have executed this Third Amendment to Industrial Lease Agreement as of the date first above written.

TENANT

CORAM, INC.

By: Vito Ponzio, Jr.

Name: Vito Ponzio, Jr.

Title: Senior Vice President, Administration

Date: May 27, 2005

LANDLORD:

SUN LIFE ASSURANCE COMPANY OF CANADA

By: Thomas V. Pedulla

Name: THOMAS V. PEDULLA
VICE PRESIDENT

Title: _____

Date: 6/8/, 2005

By: Charles S. Andes

Name: CHARLES S. ANDES
SENIOR INVESTMENT OFFICER

Title: _____

Date: 6/8, 2005

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (this "Amendment") is entered into as of the 30th day of June, 2010, by and between WINDSOR AT CENTURY CENTER 1680 LLC, a Delaware limited liability company ("Landlord") and CORAM, INC., a Delaware corporation ("Tenant").

WHEREAS, Landlord, as a successor-in-interest to Industrial Developments International, Inc., and Tenant, as a successor-in-interest to Baxter Healthcare Corp., are parties to that certain Industrial Lease Agreement dated January 16, 1992 (the "Lease Agreement"), covering approximately 6,766 square feet of space (the "Demised Premises") known as Suite 12 in the building known as Building D located at 1680 Century Center Parkway, Memphis, Tennessee 38134 (the "Building") and being a part of the Century Center Business Park (the "Project"), as more particularly described therein;

WHEREAS, the Lease Agreement has been amended by that certain First Amendment to Industrial Lease Agreement dated as of July 22, 1997, that certain Second Amendment to Industrial Lease Agreement dated as of March 31, 2000, and that certain Third Amendment to Industrial Lease Agreement (the "Third Amendment") dated as of May 27, 2005 (the Lease Agreement, as amended, the "Lease");

WHEREAS, Landlord is now the owner of the Building and is the landlord under the Lease;

WHEREAS, the Term of the Lease currently expires on June 30, 2010, and Tenant desires to extend the Term for a period of five (5) years to expire on June 30, 2015;

WHEREAS, subject to the terms and conditions set forth below, Landlord has agreed to extend the Term of the Lease to expire on June 30, 2015; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their agreements as to the terms and conditions governing the extension of the Term.

NOW, THEREFORE, in consideration of the premises and the mutual covenants between the parties herein contained, Landlord and Tenant agree as follows:

1. Term. The Term of the Lease is hereby extended for a period of five (5) years to expire June 30, 2015, unless sooner terminated in accordance with the terms of the Lease. The period commencing on July 1, 2010 and ending on June 30, 2015 is referred to herein as the "Fourth Extended Term".
2. Minimum Rent. During the Fourth Extended Term, Tenant shall pay Minimum Rent for the Demised Premises as follows:

| PERIOD | ANNUAL MINIMUM RENTAL RATE | ANNUAL MINIMUM RENT | MONTHLY INSTALLMENTS OF MINIMUM RENT |
|------------------|----------------------------|---------------------|--------------------------------------|
| 7/1/10 – 6/30/11 | \$10.95 | \$74,087.76 | \$6,173.98 |
| 7/1/11 – 6/30/12 | \$11.28 | \$76,320.48 | \$6,360.04 |
| 7/1/12 – 6/30/13 | \$11.62 | \$78,620.88 | \$6,551.74 |
| 7/1/13 – 6/30/14 | \$11.97 | \$80,989.08 | \$6,749.09 |
| 7/1/14 – 6/30/15 | \$12.32 | \$83,357.16 | \$6,946.43 |

All such Minimum Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended hereby.

3. Operating Expenses. During the Fourth Extended Term, Tenant shall continue to pay Tenant's proportionate share of all Operating Expenses in accordance with the terms of the Lease, as amended by Section 5 of the Third Amendment.

4. Acceptance of the Demised Premises. **TENANT ACKNOWLEDGES THAT TENANT CURRENTLY OCCUPIES THE DEMISED PREMISES AND HEREBY ACCEPTS THE DEMISED PREMISES, THE BUILDING AND THE PROJECT (INCLUDING THE SUITABILITY OF THE DEMISED PREMISES FOR THE PERMITTED USE) IN "AS IS" CONDITION WITH ANY AND ALL FAULTS AND LATENT OR PATENT DEFECTS AND WITHOUT RELYING UPON ANY REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) OF LANDLORD OR ANY REPRESENTATIVE OF LANDLORD. LANDLORD HAS NOT MADE AND DOES NOT HEREBY MAKE AND HEREBY SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEMISED PREMISES AND ITS CONDITION (INCLUDING WITHOUT LIMITATION ANY REPRESENTATION OR WARRANTY REGARDING QUALITY OF CONSTRUCTION, STATE OF REPAIR, WORKMANSHIP, HABITABILITY, MERCHANTABILITY, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE).** Landlord shall not be required to perform any leasehold improvements or provide any improvement allowance in connection with this Amendment.

5. Landlord's Addresses. Landlord's addresses under the Lease are hereby amended in their entireties to the following:

Windsor at Century Center 1680 LLC
c/o GID Investment Advisors
125 High Street, 27th Floor
Boston, MA 02110
Attn: Melissa Fang

with a copy to:

Windsor at Century Center 1680 LLC
c/o GID Investment Advisors
125 High Street, 27th Floor
Boston, MA 02110
Attn: Asset Management

Payments of rent only shall be made payable to the order of Landlord at the following address:

Windsor at Century Center 1680 LLC
c/o Windsor at Century Center Holding LLC
P.O. Box 504258
St. Louis, MO 63150-4258

or such other name and address as Landlord shall, from time to time, designate.

6. Expired Provisions. The right of first refusal provided under Special Stipulation 13 of Exhibit C of the Lease Agreement has expired by its terms and is of no further force or effect. Additionally, all rights previously granted to Tenant to extend or renew the Term of the Lease have expired and are of no further force or effect.

7. Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment other than IDI Services Group, Inc. ("Landlord's Broker") and Corporate Realty Associates, Inc. ("Tenant's Broker") and that it knows of no other real estate brokers or agents who are or might be entitled to a commission in connection with this Amendment. Landlord agrees to pay a commission to Landlord's Broker and Tenant's Broker pursuant to separate written agreements entered into between Landlord and such brokers. Tenant agrees to indemnify and hold Landlord harmless from and against any liability or claim arising with respect to any brokers or agents other than Landlord's Broker and Tenant's Broker claiming a commission by, through, or under Tenant in connection with this Amendment.

8. Estoppel. Tenant hereby represents, warrants and agrees that: (i) there exists no breach, default or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Landlord under the Lease; (ii) the Lease continues to be a legal, valid and binding agreement and obligation of Tenant; and (iii) Tenant has no current offset or defense to its performance or obligations under the Lease. Tenant hereby waives and releases all demands, charges, claims, accounts or causes of action of any nature against Landlord or Landlord's employees or agents, including without limitation, both known and unknown demands, charges, claims, accounts, and causes of action that have previously arisen out of or in connection with the Lease.

9. Authority. Tenant and each person signing this Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly formed and validly existing under the laws of the State of Delaware, (ii) Tenant has and is qualified to do business in Tennessee, (iii) Tenant has the full right and authority to enter into this Amendment, and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.

10. Defined Terms. All defined terms used but not otherwise defined herein shall have the same meaning assigned to them in the Lease.
11. Ratification of Lease. Except as amended hereby, the Lease shall remain in full force and effect in accordance with its terms and is hereby ratified. In the event of a conflict between the Lease and this Amendment, this Amendment shall control. In no event shall Landlord be liable for any consequential, special or punitive damages as a result of any breach of or default under the Lease, as amended hereby, by Landlord.
12. No Representations. Landlord and Landlord's agents have made no representations or promises, express or implied, in connection with this Amendment except as expressly set forth herein.
13. Entire Agreement. This Amendment, together with the Lease, contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Amendment or the Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose.
14. Section Headings. The section headings contained in this Amendment are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.
15. Successors and Assigns. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
16. Severability. A determination that any provision of this Amendment is unenforceable or invalid shall not affect the enforceability or validity of any other provision hereof and any determination that the application of any provision of this Amendment to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.
17. Governing Law. This Amendment shall be governed by the laws of the State of Tennessee.
18. Submission of Amendment Not Offer. The submission by Landlord to Tenant of this Amendment for Tenant's consideration shall have no binding force or effect, shall not constitute an option, and shall not confer any rights upon Tenant or impose any obligations upon Landlord irrespective of any reliance thereon, change of position or partial performance. This Amendment is effective and binding on Landlord only upon the execution and delivery of this Amendment by Landlord and Tenant.

[Signature Page Follows.]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

LANDLORD:

WINDSOR AT CENTURY CENTER 1680 LLC, a
Delaware limited liability company

By: Windsor at Century Center Holding LLC, a
Delaware limited liability company,
its managing member

By: _____
Name: Richard G. Sullivan
Title: Vice President

TENANT:

CORAM, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

ATTACHMENT, SECTION B,
PROJECT DESCRIPTION, ITEM I

CORAM ALTERNATE SITE SERVICES, INC.

**EXISTING LICENSES AND
THE JOINT COMMISSION ACCREDITATION**



State of Tennessee

TENNESSEE BOARD OF PHARMACY

PHARMACY

CORAM ALTERNATE SITE SERVICES, INC.

1680 CENTURY CENTER PARKWAY

SUITE 12

MEMPHIS TN 381340000

*This is to certify that all requirements of the State of Tennessee
have been met.*

ID NUMBER: 0000002058

EXPIRATION DATE 06/30/2015

CONTROLLED SUBSTANCE REGISTRATION

Boemer
OTTO
DIRECTOR, HEALTH RELATED BOARDS

DCF171

Apria Healthcare LLC
Lake Forest CA
Coram Alternate Site Services, Inc.
Coram Specialty Infusion Services
Memphis TN

has been Accredited by



The Joint Commission

May 11, 2013

Accreditation is customarily valid for up to 36 months.


Rebecca A. Patchin, MD.
Chair, Board of Commissioners

Organization ID #:
439173
Print/Reprint Date:
09/12/13


Mark R. Chassin, MD, FACP, MPP, MPH
President

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This reproduction of the original accreditation certificate has been issued for use in regulatory/payor agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.

ATTACHMENT, SECTION B,
PROJECT DESCRIPTION, ITEM II (A)

CORAM ALTERNATE SITE SERVICES, INC.

SQUARE FOOTAGE AND COST CHART

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

| A. Unit / Department | Existing Location | Existing SF | Temporary Location | Proposed Final Location | Proposed Final Square Footage | | | Proposed Final Cost/SF | | |
|-------------------------------|-------------------|-------------|--------------------|-------------------------|-------------------------------|-----|-------|------------------------|-----|-------|
| | | | | | Renovated | New | Total | Renovated | New | Total |
| Entry | | 91 | | | 0 | 0 | 91 | | | \$ - |
| Office | | 173 | | | 0 | 0 | 173 | | | \$ - |
| Copy Room | | 197 | | | 0 | 0 | 197 | | | \$ - |
| MDF/IT | | 55 | | | 0 | 0 | 55 | | | \$ - |
| Office | | 120 | | | 0 | 0 | 120 | | | \$ - |
| Clean | | 252 | | | 0 | 0 | 252 | | | \$ - |
| Ante | | 83 | | | 0 | 0 | 83 | | | \$ - |
| Prep | | 437 | | | 0 | 0 | 437 | | | \$ - |
| Staging | | 293 | | | 0 | 0 | 293 | | | \$ - |
| Open Office | | 3,340 | | | 0 | 0 | 3,340 | | | \$ - |
| Toilet | | 106 | | | 0 | 0 | 106 | | | \$ - |
| Hall | | 114 | | | 0 | 0 | 114 | | | \$ - |
| Toilet | | 43 | | | 0 | 0 | 43 | | | \$ - |
| Break | | 213 | | | 0 | 0 | 213 | | | \$ - |
| Janitor | | 71 | | | 0 | 0 | 71 | | | \$ - |
| Office - BrCoor | | 132 | | | 0 | 0 | 132 | | | \$ - |
| Conference | | 252 | | | 0 | 0 | 252 | | | \$ - |
| Office | | 120 | | | | | 120 | | | |
| Office | | 120 | | | | | 120 | | | |
| Office | | 120 | | | | | 120 | | | |
| Office | | 120 | | | | | 120 | | | |
| B. Unit/Depart. GSF Sub-Total | | 6,452 | | | 0 | 0 | 6,452 | | | \$ - |
| C. Mechanical/Electrical GSF | | 314 | | | | | 314 | | | |
| D. Circulation/Structure GSF | | | | | 0 | 0 | | | | \$ - |
| E. Total GSF | | 6,766 | | | 0 | 0 | 6,766 | | | \$ - |

ATTACHMENT, SECTION B,
PROJECT DESCRIPTION, ITEM III (A),1

CORAM ALTERNATE SITE SERVICES, INC.

SITE PLAN AND VICINITY PLAN









Image capture: Aug 2013 © 2014 Google
JUN 6 11:05:21:30

CHEYENNE JOHNSON

Assessor of Property

| Property Location and Owner Information | 2014 Appraisal and Assessment Information |
|--|---|
| Parcel ID: 089046 00018 Property Address: 1680 CENTURY CENTER PKWY Municipal MEMPHIS Jurisdiction: Neighborhood 00604F51 Number: Tax Map Page: 117L Land Square Footage: Acres: 5.8000 Lot Dimensions: 252648 SF Subdivision Name: WHITTEN/I-40 PUD PH 9 Subdivision Lot 1 Number: Plat Book and 159-74 Page: Number of 1 Improvements: Owner Name: INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS AND COUNTY OF SHELBY TN (THE) In Care Of: EVANS PETREE Owner Address: P O BOX 771020 Owner MEMPHIS, TN 38177 1020 City/State/Zip: | Class: EXEMPT Land Appraisal: \$ 655,800 Building Appraisal: \$ 3,004,700 Total Appraisal: \$ 3,660,500 Total Assessment: \$ 0 Greenbelt Land: \$ 0 Homesite Land: \$ 0 Homesite Building: \$ 0 Greenbelt Appraisal: \$ 0 Greenbelt Assessment: \$ 0 Click Here for 2013 Values View: Assessor's GIS Map View: GIS Parcel Map |

| Commercial Structure Information | |
|----------------------------------|----------------|
| Land Use: | - LOFT MANUFCT |
| Total Living Units: | 0 |
| Structure Type: | FLEX WAREHOUSE |
| Year Built: | 1995 |
| Investment Grade: | A |
| Building Square Footage: | 77925 |

Other Buildings on Site for this Property
See Permits Filed for this Property
See Sales Data for this Property

Disclaimer: The information presented on this web site is based on the inventory of real property found within the jurisdiction of the county of Shelby in the State of Tennessee. Shelby County assumes no legal responsibility for the information contained within this web site. This is not a bill and does not serve as a notice or invoice for payment of taxes nor does it replace scheduled notices mailed to property owners.

[Home](#) | [Contact](#) | [Ethics](#) | [F. A. Q.](#) | [Filing Tools](#) | [Forms](#) | [Glossary](#) | [History](#) | [Links](#) | [Mortgage Calculator](#) | [Recording Statistics](#)

Tom Leatherwood

Shelby County Register of Deeds

Property Data

Owner: INDUSTRIAL
DEVELOPMENT BOARD OF
THE CITY
OF MEMPHIS AND COUNTY
OF SHELBY TN (THE)

Property
Address: 1680 CENTURY CENTER
PKWY

Tax District: MEMPHIS

Parcel ID: 089046 00018

Tax Map: 117L [TIFF PDF](#)

Year Built: 1

Lot Number: 1

Subdivision
Name: WHITTEN/I-40 PUD PH 9

Plat BK. & PG.: [159-74](#)

Dimensions: 252648 SF

Land Total:

Total Acres: 5.80

Owner's
address: 0 P O BOX 4900
EPROPERTY TAX
SCOTTSDALE, AZ 85261

Class: EXEMPT

Use: - LOFT MANUFCT

Zoning: RU-2

Taxes: [County Tax Info](#)
[Memphis Tax Info](#)

Appraisal: [Appraisal Info](#)

[Recent and Comparable Sales Search](#)

Property Transactions

Item 1

Inst #: [-05104651](#)

Inst Type: SPECIAL WARRANTY DEED

Sales Date: 07/01/2004

Item 2

Inst #: [-06F6101](#)

Inst Type: QUIT CLAIM

Sales Date: 11/26/1996

Sales Price: 13,240,000

Item 3

Inst #: [-06F6102](#)

Inst Type: SPECIAL WARRANTY DEED

Sales Date: 11/26/1996

Sales Price: 13,240,000

Item 4

Inst #: [-06F6102](#)

Inst Type: SPECIAL WARRANTY DEED

Sales Date: 11/26/1996

Sales Price: 13,240,000

NAD83 Coordinates

X Coordinate: 820021

Y Coordinate: 327623



0 59 118 177 236 ft

Property data, transactions and parcels reflect information from the April 2013 certified tax roll. More recent information is available at [Property Search](#).

Property tax maps and parcel boundaries do not reflect accurate survey information or exact legal ownership boundaries but are only provided for general information purposes.

Property tax maps are provided to the County Register by the County Assessor's office "on or before October 1 of each year" according to T.C.A. 67-5-806.

Aerial Map - 2004 is from the 2004 USGS flyover. Parts of North and Southwest Shelby County were not included in this flyover.

FEMA data is based on their Q3 Flood Data product. More information is available at http://www.fema.gov/plan/prevent/fhm/fq_q3.shm.

Soil data is derived from the United States Department of Agriculture, Natural Resources Conservation Service. More information is available at <http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>.

Cemetery points were provided by the Shelby County Historical Commission and do not reflect accurate survey information or exact cemetery locations within parcels. The information provided is for general purposes only.



Shelby County

Search Type:

1680 CENTURY CENTER PKW

To optimize search, leave street direction and type off, ie., MAIN instead of N MAIN ST.

- ☒ Parcels
- ☒ Streets
- ☐ 2ft Contours - 2006
- ☐ FEMA Flood Plain
- ☐ Cemeteries

AERIALS

- ☐ Parks
- ☐ Streams
- ☐ Parcel IDs
- ☐ Soil Data

CITY BOUNDARIES

LEGENDS

ATTACHMENT, SECTION B,
PROJECT DESCRIPTION, ITEM IV

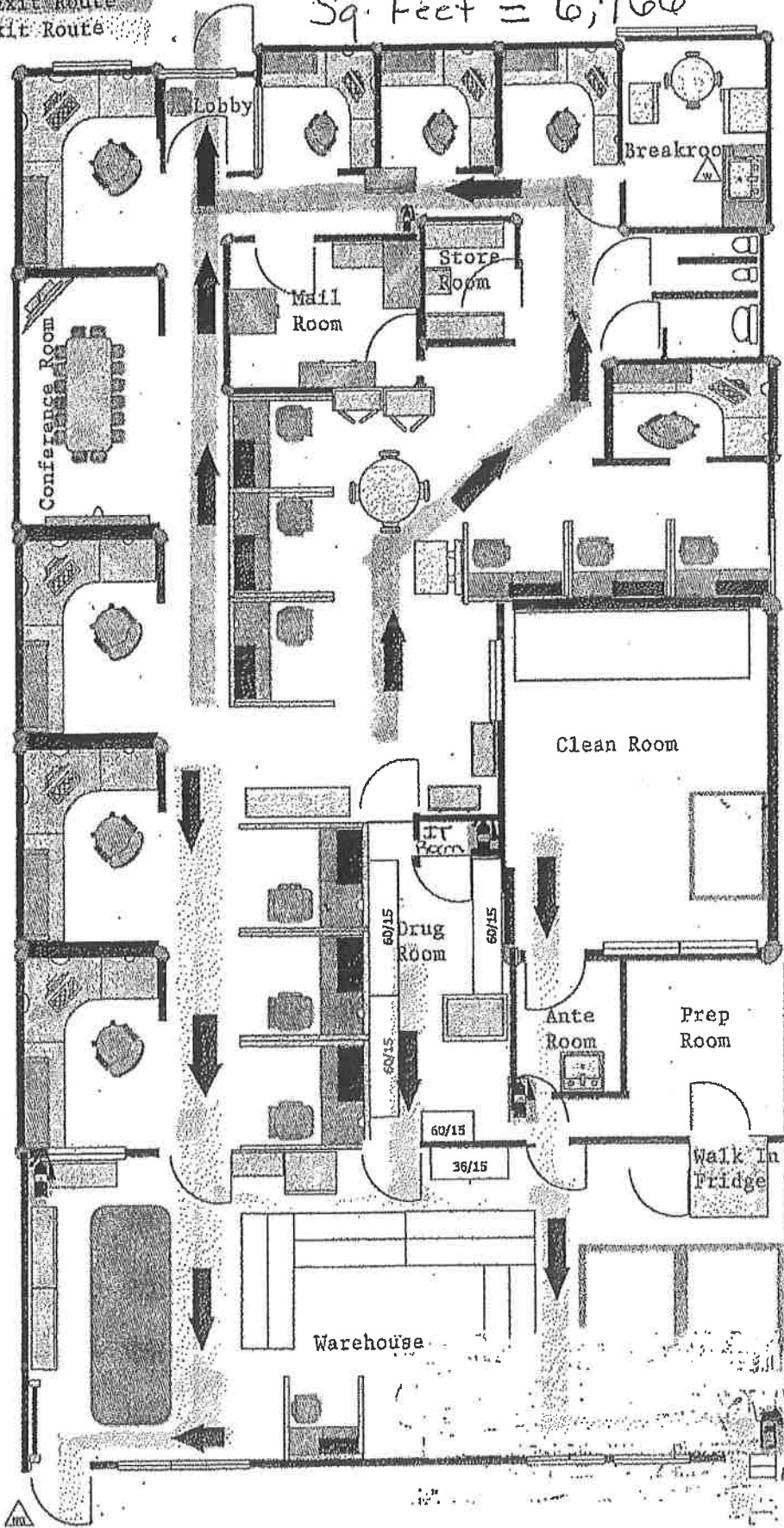
CORAM ALTERNATE SITE SERVICES, INC.

FLOOR PLAN

Memphis

- = Fire Extinguisher
- = Front Exit Route
- = Rear Exit Route

Sq. Feet = 6,766



ATTACHMENT, SECTION B,
PROJECT DESCRIPTION, ITEM V

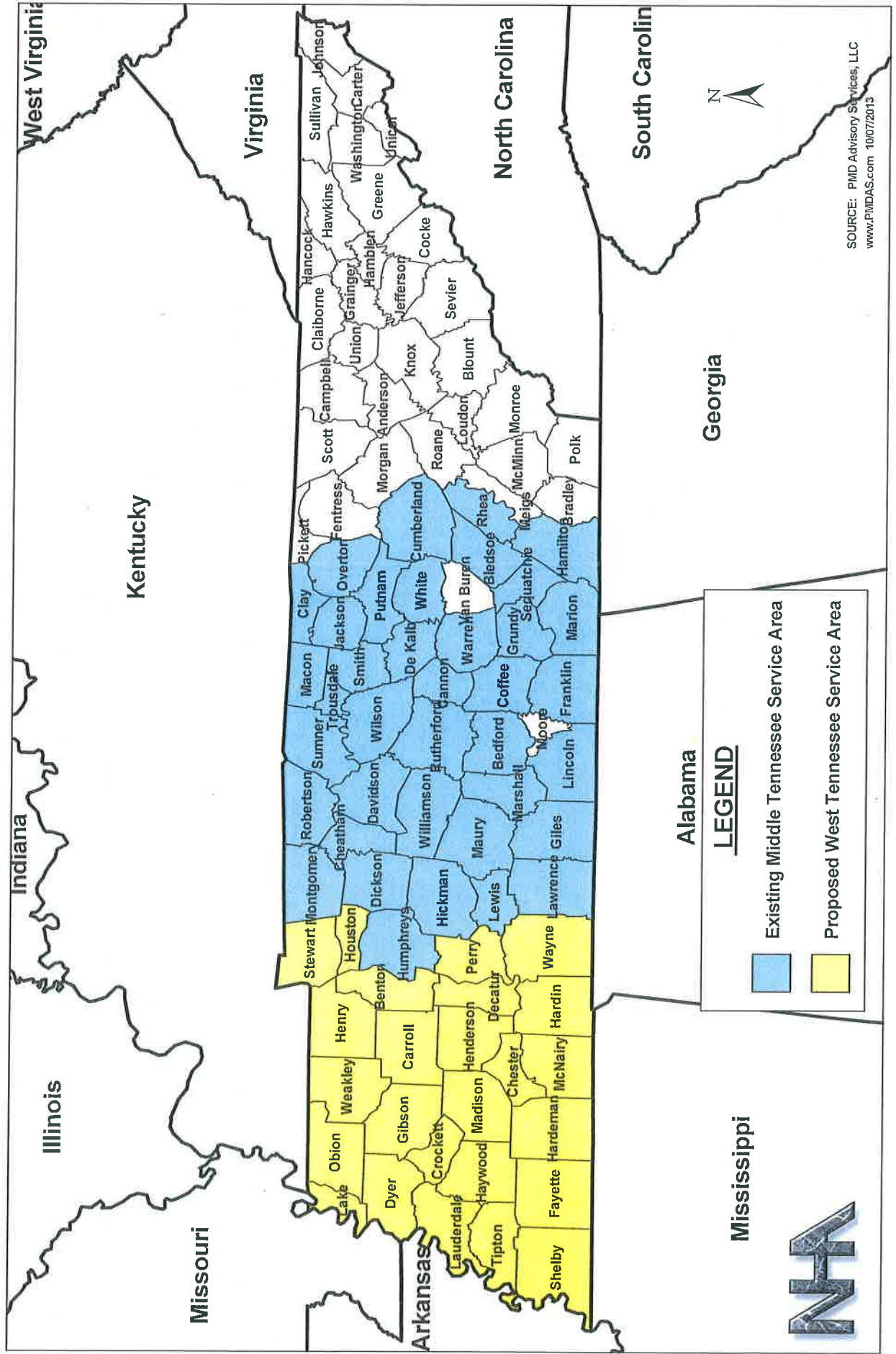
CORAM ALTERNATE SITE SERVICES, INC.

STATE OF TENNESSEE MAP WITH SERVICE AREA

Coram Alternate Site Services, Inc.

Existing and Proposed Restricted Service Home Health Service Areas

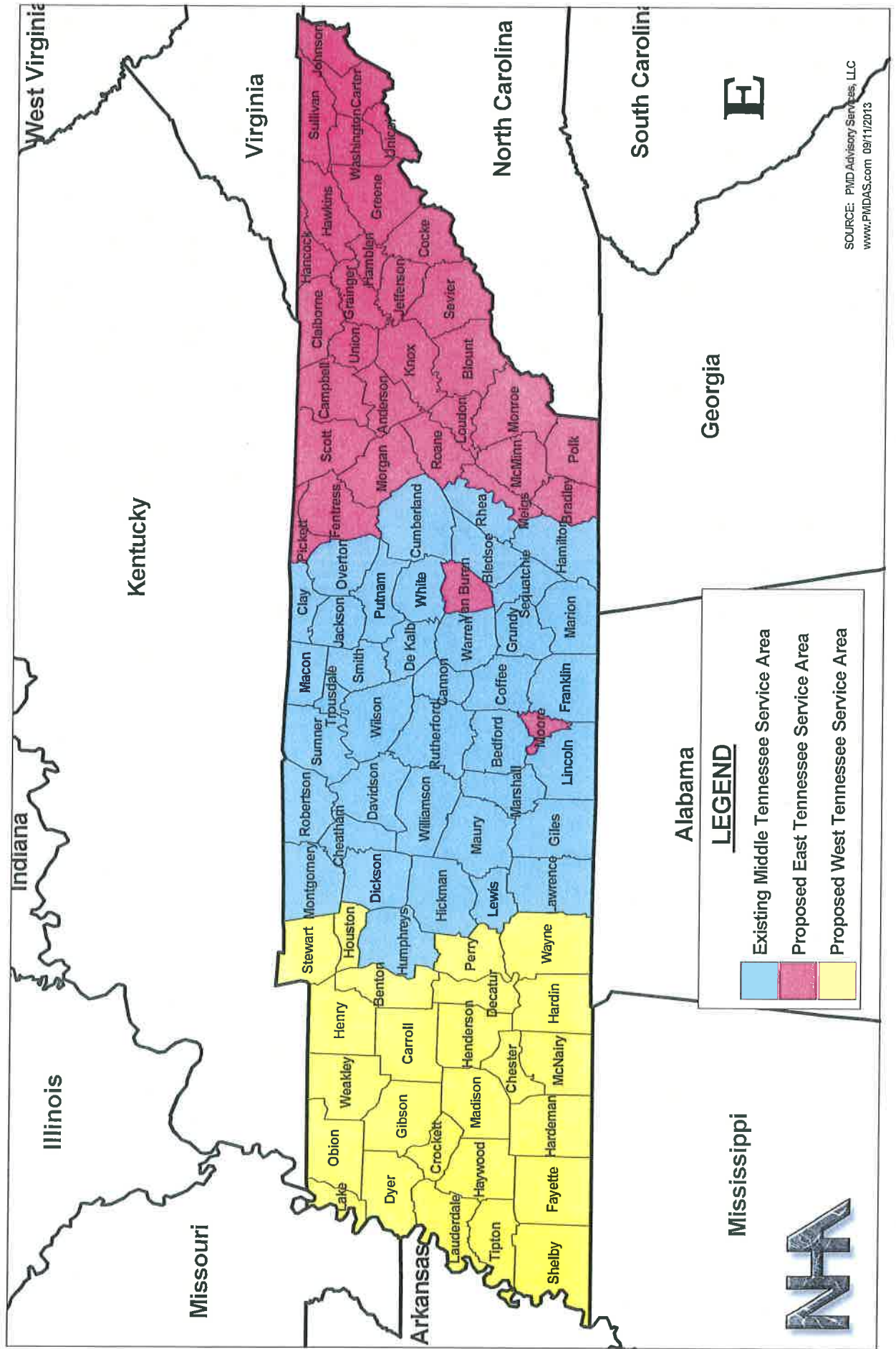
State of Tennessee



Coram Alternate Site Services, Inc.

Existing and Proposed Restricted Service Home Health Service Areas

State of Tennessee



ATTACHMENT, SECTION C,
HOME HEALTH SERVICES, ITEM 1

CORAM ALTERNATE SITE SERVICES, INC.

STATE OF TENNESSEE
HOME HEALTH NEED BY COUNTY

Joint Annual Report of Home Health Agencies - 2013 Final*
Comparison of Population Based Need Projection vs. Actual Utilization (2018 vs. 2013)**

| Service Area | Agencies Licensed to Serve | Agencies Report Serving | Total Patients Served | Estimated 2013 Pop. | Use Rate | Projected 2018 Pop. | Projected Capacity | Projected Need (.015 x 2018 Pop.) | Need or (Surplus) for 2018 |
|------------------|----------------------------|-------------------------|-----------------------|---------------------|---------------|---------------------|--------------------|-----------------------------------|----------------------------|
| Tennessee | 1,619 | 1,457 | 175,924 | 6,528,014 | 0.0269 | 6,833,509 | 184,157 | 102,503 | (81,654) |
| Anderson | 22 | 19 | 2,893 | 76,182 | 0.0380 | 77,851 | 2,956 | 1,168 | (1,789) |
| Bedford | 20 | 19 | 1,120 | 46,700 | 0.0240 | 50,566 | 1,213 | 758 | (454) |
| Benton | 11 | 10 | 667 | 16,315 | 0.0409 | 16,104 | 658 | 242 | (417) |
| Bledsoe | 10 | 8 | 462 | 12,698 | 0.0364 | 12,599 | 458 | 189 | (269) |
| Blount | 18 | 18 | 2,507 | 126,809 | 0.0198 | 135,171 | 2,672 | 2,028 | (645) |
| Bradley | 16 | 14 | 2,021 | 102,235 | 0.0198 | 107,481 | 2,125 | 1,612 | (512) |
| Campbell | 21 | 18 | 1,715 | 41,163 | 0.0417 | 42,566 | 1,773 | 638 | (1,135) |
| Cannon | 19 | 16 | 423 | 14,013 | 0.0302 | 14,540 | 439 | 218 | (221) |
| Carroll | 13 | 13 | 1,246 | 28,213 | 0.0442 | 27,831 | 1,229 | 417 | (812) |
| Carter | 12 | 11 | 2,072 | 57,228 | 0.0362 | 57,680 | 2,088 | 865 | (1,223) |
| Cheatham | 24 | 25 | 772 | 39,603 | 0.0195 | 40,765 | 795 | 611 | (183) |
| Chester | 14 | 13 | 563 | 17,355 | 0.0324 | 17,999 | 584 | 270 | (314) |
| Claiborne | 19 | 15 | 2,002 | 32,457 | 0.0617 | 33,280 | 2,053 | 499 | (1,554) |
| Clay | 8 | 6 | 250 | 7,719 | 0.0324 | 7,673 | 249 | 115 | (133) |
| Cocke | 16 | 14 | 1,467 | 36,330 | 0.0404 | 38,615 | 1,559 | 579 | (980) |
| Coffee | 20 | 16 | 1,874 | 53,784 | 0.0348 | 56,841 | 1,981 | 853 | (1,128) |
| Crockett | 13 | 12 | 537 | 14,568 | 0.0369 | 14,683 | 541 | 220 | (321) |
| Cumberland | 15 | 13 | 1,601 | 57,370 | 0.0279 | 60,292 | 1,683 | 904 | (778) |
| Davidson | 32 | 32 | 14,912 | 649,507 | 0.0230 | 682,330 | 15,666 | 10,235 | (5,431) |
| Decatur | 17 | 14 | 638 | 11,773 | 0.0542 | 12,080 | 655 | 181 | (473) |
| DeKalb | 21 | 16 | 469 | 18,918 | 0.0248 | 19,125 | 474 | 287 | (187) |
| Dickson | 25 | 24 | 1,617 | 50,596 | 0.0320 | 51,964 | 1,661 | 779 | (881) |
| Dyer | 11 | 10 | 1,671 | 38,205 | 0.0437 | 38,427 | 1,681 | 576 | (1,104) |
| Fayette | 26 | 23 | 713 | 40,081 | 0.0178 | 44,888 | 799 | 673 | (125) |
| Fentress | 10 | 7 | 1,015 | 18,290 | 0.0555 | 18,987 | 1,054 | 285 | (769) |
| Franklin | 17 | 12 | 1,424 | 41,099 | 0.0346 | 42,122 | 1,459 | 632 | (828) |
| Gibson | 15 | 14 | 1,924 | 50,748 | 0.0379 | 52,163 | 1,978 | 782 | (1,195) |
| Giles | 12 | 11 | 1,001 | 29,325 | 0.0341 | 29,285 | 1,000 | 439 | (560) |
| Grainger | 22 | 20 | 886 | 22,994 | 0.0385 | 23,675 | 912 | 355 | (557) |
| Greene | 20 | 17 | 2,454 | 69,888 | 0.0351 | 71,594 | 2,514 | 1,074 | (1,440) |
| Grundy | 18 | 16 | 529 | 13,396 | 0.0395 | 13,293 | 525 | 199 | (326) |
| Hamblen | 19 | 17 | 2,835 | 63,763 | 0.0445 | 65,570 | 2,915 | 984 | (1,932) |
| Hamilton | 16 | 16 | 8,038 | 345,447 | 0.0233 | 353,577 | 8,227 | 5,304 | (2,924) |
| Hancock | 14 | 11 | 682 | 6,652 | 0.1025 | 6,640 | 681 | 100 | (581) |
| Hardeman | 17 | 15 | 917 | 26,492 | 0.0346 | 26,067 | 902 | 391 | (511) |
| Hardin | 16 | 14 | 1,157 | 25,968 | 0.0446 | 26,244 | 1,169 | 394 | (776) |
| Hawkins | 21 | 18 | 2,148 | 57,273 | 0.0375 | 58,164 | 2,181 | 872 | (1,309) |
| Haywood | 15 | 13 | 612 | 18,199 | 0.0336 | 18,009 | 606 | 270 | (335) |
| Henderson | 14 | 13 | 1,015 | 28,080 | 0.0361 | 28,631 | 1,035 | 429 | (605) |
| Henry | 10 | 10 | 1,283 | 32,595 | 0.0394 | 32,956 | 1,297 | 494 | (803) |
| Hickman | 18 | 17 | 725 | 24,393 | 0.0297 | 24,698 | 734 | 370 | (364) |
| Houston | 12 | 11 | 281 | 8,358 | 0.0336 | 8,447 | 284 | 127 | (157) |
| Humphreys | 16 | 14 | 803 | 18,488 | 0.0434 | 18,561 | 806 | 278 | (528) |
| Jackson | 12 | 11 | 402 | 11,355 | 0.0354 | 11,495 | 407 | 172 | (235) |
| Jefferson | 20 | 19 | 1,749 | 53,006 | 0.0330 | 56,872 | 1,877 | 853 | (1,023) |
| Johnson | 5 | 5 | 907 | 18,126 | 0.0500 | 18,127 | 907 | 272 | (635) |
| Knox | 24 | 23 | 9,976 | 448,093 | 0.0223 | 475,569 | 10,588 | 7,134 | (3,454) |
| Lake | 6 | 5 | 325 | 9,795 | 0.0332 | 9,468 | 314 | 142 | (172) |

Joint Annual Report of Home Health Agencies - 2013 Final*
Comparison of Population Based Need Projection vs. Actual Utilization (2018 vs. 2013)**

| Service Area | Agencies Licensed to Serve | Agencies Report Serving | Total Patients Served | Estimated 2013 Pop. | Use Rate | Projected 2018 Pop. | Projected Capacity | Projected Need (.015 x 2018 Pop.) | Need or (Surplus) for 2018 |
|--------------|----------------------------|-------------------------|-----------------------|---------------------|----------|---------------------|--------------------|-----------------------------------|----------------------------|
| Lauderdale | 14 | 11 | 857 | 27,465 | 0.0312 | 27,125 | 846 | 407 | (440) |
| Lawrence | 15 | 12 | 1,667 | 42,280 | 0.0394 | 42,387 | 1,671 | 636 | (1,035) |
| Lewis | 12 | 10 | 402 | 12,111 | 0.0332 | 12,224 | 406 | 183 | (222) |
| Lincoln | 14 | 12 | 1,062 | 33,979 | 0.0313 | 35,697 | 1,116 | 535 | (580) |
| Loudon | 23 | 21 | 1,572 | 50,356 | 0.0312 | 53,192 | 1,661 | 798 | (863) |
| McMinn | 17 | 17 | 1,807 | 53,004 | 0.0341 | 54,203 | 1,848 | 813 | (1,035) |
| McNairy | 15 | 13 | 1,089 | 26,408 | 0.0412 | 27,299 | 1,126 | 409 | (716) |
| Macon | 17 | 15 | 849 | 22,957 | 0.0370 | 24,121 | 892 | 362 | (530) |
| Madison | 16 | 15 | 3,121 | 99,153 | 0.0315 | 101,001 | 3,179 | 1,515 | (1,664) |
| Marion | 16 | 15 | 729 | 28,448 | 0.0256 | 28,992 | 743 | 435 | (308) |
| Marshall | 21 | 17 | 816 | 31,159 | 0.0262 | 32,015 | 838 | 480 | (358) |
| Maury | 23 | 21 | 2,412 | 82,029 | 0.0294 | 83,256 | 2,448 | 1,249 | (1,199) |
| Meigs | 18 | 16 | 346 | 12,064 | 0.0287 | 12,643 | 363 | 190 | (173) |
| Monroe | 19 | 19 | 1,517 | 45,664 | 0.0332 | 48,088 | 1,598 | 721 | (876) |
| Montgomery | 19 | 20 | 2,903 | 184,087 | 0.0158 | 200,561 | 3,163 | 3,008 | (154) |
| Moore | 13 | 10 | 97 | 6,369 | 0.0152 | 6,401 | 97 | 96 | (1) |
| Morgan | 21 | 21 | 472 | 21,826 | 0.0216 | 22,004 | 476 | 330 | (146) |
| Obion | 12 | 12 | 1,280 | 31,536 | 0.0406 | 31,222 | 1,267 | 468 | (799) |
| Overton | 14 | 11 | 742 | 22,376 | 0.0332 | 22,967 | 762 | 345 | (417) |
| Perry | 11 | 6 | 258 | 7,971 | 0.0324 | 8,096 | 262 | 121 | (141) |
| Pickett | 8 | 6 | 271 | 5,045 | 0.0537 | 4,943 | 266 | 74 | (191) |
| Polk | 11 | 11 | 427 | 16,654 | 0.0256 | 16,588 | 425 | 249 | (176) |
| Putnam | 16 | 14 | 2,405 | 75,646 | 0.0318 | 82,623 | 2,627 | 1,239 | (1,387) |
| Rhea | 16 | 15 | 927 | 32,966 | 0.0281 | 34,790 | 978 | 522 | (456) |
| Roane | 24 | 22 | 2,354 | 53,918 | 0.0437 | 54,457 | 2,378 | 817 | (1,561) |
| Robertson | 26 | 26 | 1,739 | 69,336 | 0.0251 | 74,371 | 1,865 | 1,116 | (750) |
| Rutherford | 29 | 29 | 5,503 | 285,141 | 0.0193 | 329,446 | 6,358 | 4,942 | (1,416) |
| Scott | 18 | 15 | 835 | 21,986 | 0.0380 | 21,969 | 834 | 330 | (505) |
| Sequatchie | 14 | 11 | 413 | 14,756 | 0.0280 | 16,004 | 448 | 240 | (208) |
| Sevier | 19 | 18 | 2,452 | 93,637 | 0.0262 | 100,362 | 2,628 | 1,505 | (1,123) |
| Shelby | 27 | 27 | 18,064 | 940,972 | 0.0192 | 954,012 | 18,314 | 14,310 | (4,004) |
| Smith | 17 | 14 | 708 | 19,445 | 0.0364 | 20,281 | 738 | 304 | (434) |
| Stewart | 10 | 10 | 339 | 13,436 | 0.0252 | 13,941 | 352 | 209 | (143) |
| Sullivan | 14 | 13 | 5,259 | 158,451 | 0.0332 | 161,136 | 5,348 | 2,417 | (2,931) |
| Sumner | 26 | 27 | 4,160 | 169,409 | 0.0246 | 183,406 | 4,504 | 2,751 | (1,753) |
| Tipton | 26 | 22 | 1,298 | 63,001 | 0.0206 | 67,545 | 1,392 | 1,013 | (378) |
| Trousdale | 16 | 14 | 431 | 8,046 | 0.0536 | 8,582 | 460 | 129 | (331) |
| Unicoi | 13 | 11 | 659 | 18,334 | 0.0359 | 18,511 | 665 | 278 | (388) |
| Union | 21 | 18 | 371 | 19,231 | 0.0193 | 19,605 | 378 | 294 | (84) |
| Van Buren | 12 | 11 | 240 | 5,456 | 0.0440 | 5,474 | 241 | 82 | (159) |
| Warren | 20 | 15 | 2,266 | 40,299 | 0.0562 | 41,155 | 2,314 | 617 | (1,697) |
| Washington | 16 | 14 | 4,181 | 128,537 | 0.0325 | 138,370 | 4,501 | 2,076 | (2,425) |
| Wayne | 11 | 9 | 640 | 16,887 | 0.0379 | 16,724 | 634 | 251 | (383) |
| Weakley | 13 | 11 | 1,180 | 38,255 | 0.0308 | 39,491 | 1,218 | 592 | (626) |
| White | 14 | 9 | 962 | 26,612 | 0.0361 | 27,974 | 1,011 | 420 | (592) |
| Williamson | 32 | 32 | 2,815 | 198,045 | 0.0142 | 223,333 | 3,174 | 3,350 | 176 |
| Wilson | 28 | 31 | 3,727 | 121,626 | 0.0306 | 133,357 | 4,086 | 2,000 | (2,086) |

*Most recent year of Joint Annual Report data for Home Health Agencies

Data is projected four years from the year the Home Health data was **finalized, not the actual year of Home Health data.

ATTACHMENT, SECTION C,
HOME HEALTH SERVICES, ITEM 3.1

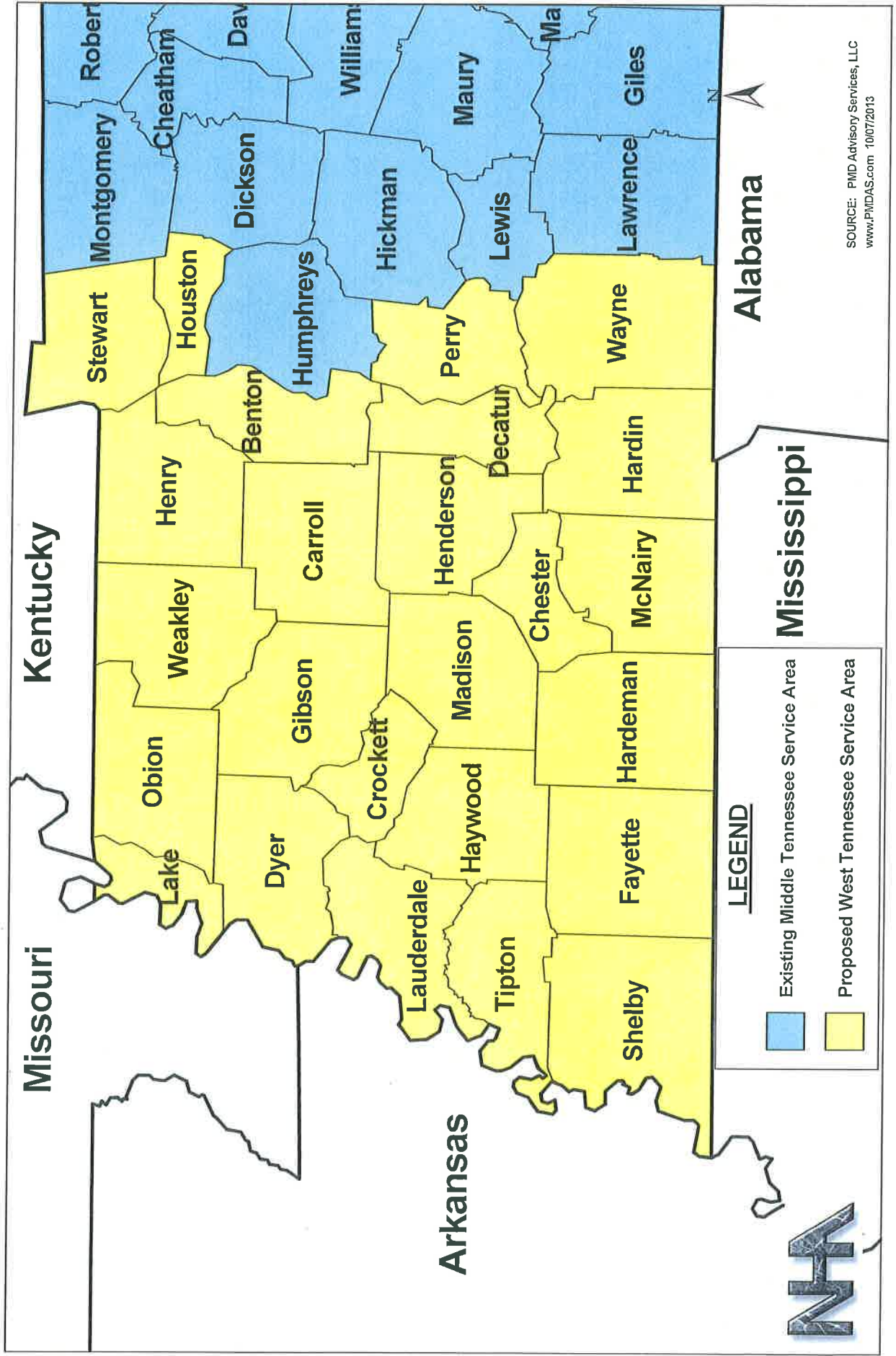
CORAM ALTERNATE SITE SERVICES, INC.

SERVICE AREA MAP:
WEST TENNESSEE WITH SERVICE AREA

Coram Alternate Site Services, Inc.

Existing and Proposed Restricted Service Home Health Service Areas

West Tennessee Service Area



ATTACHMENT, SECTION C,
HOME HEALTH SERVICES, ITEM 5

CORAM ALTERNATE SITE SERVICES, INC.

LETTERS OF SUPPORT
CONSTITUENTS




Subject: FW: Home Health Agency Support

From: Kirby, Nicole
Sent: Monday, October 21, 2013 4:18 PM
To: 'Sally Aldrich'
Subject: RE: Home Health Agency Support

Hi Sally,

Thanks for your support. I understand your unique position. You all do an awesome job in helping us provide quality patient care. We look forward to maintaining and enhancing THIS relationship moving forward.



Nicole Kirby, RN, MBA | Regional Nurse Manager
1680 Century Center Parkway, Suite 12 | Memphis, TN 38134 | P 901.386.3738 | F 901.347.6004
www.coramhc.com Find employment opportunities:   

From: Sally Aldrich [<mailto:Sally.Aldrich@mlh.org>]
Sent: Monday, October 21, 2013 4:04 PM
To: Kirby, Nicole; Donna Burnet
Cc: Jackie Lloyd; Sonya Glasgow
Subject: RE: Home Health Agency Support

Hi, Ms Kirby -

Please forgive me for taking so long to get back with you. Methodist HH has historically not taken part in providing care for first dose or biologic infusions, you are correct. I think Coram is the right place to maintain this as a specialty function for their nurses trained in this procedure. Methodist does not plan to move in the direction of staffing for first dose or biologics in the home.

Methodist Healthcare recently entered into a Joint Venture with Precision Infusion to provide home infusion services, along with their infusion center located on Park Ave. in east Memphis. While I am in favor of your nursing staff managing your first dose/biologic services, I am not sure my signing a letter of support for your HHA would be approved by Methodist - might be a bit of a conflict there. I would not actively oppose Coram seeking licensure, though, to serve this unique population. Would your CON be specific to first dose, biologics for Coram patients?

thank you for Coram's partnership to care for our patients in Memphis and your work with our agency
sally

Sally Aldrich, RN, MSN
Administrator, CNO, Affiliated Services Division
Home Care, Hospice & Palliative Services
ph: 901-516-1413
fax: 901-516-1401
sally.aldrich@mlh.org

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Methodist Le Bonheur Healthcare is proud to once again be named among the Top 100 Integrated Healthcare Networks in the country.

"Be treated well."



www.methodisthealth.org
www.lebonheur.org

From: Kirby, Nicole [<mailto:Nicole.Kirby@coramhc.com>]
Sent: Wednesday, October 09, 2013 12:12 PM
To: Sally Aldrich; Donna Burnet
Subject: Home Health Agency Support

Hello Ms Aldrich,

My name is Nicole Kirby. I am Regional Nurse Manager with Coram Specialty Pharmacy. I recently spoke with Ms. Burnet and she suggested you might be able to help me.




As you may well know, Coram has been partnering with agencies like Methodist to meet the needs of patients in the community for many years.

You all do a wonderful job of providing nursing. What you may not know is the challenge we face in getting skilled nursing for some of our patients receiving biologic products, or those needing first dose in the home, transplant and research protocols. Throughout the nation, Coram provides education to agencies so their nurses can be prepared to care for these patients. Many times however, due to the length of the visits, you all still must refuse the visit due to staffing. For this reason, Coram also has home health to bridge the gap. We typically only employ a few nurses because we are very specialized in our services and we continue to subcontract the majority of our referrals.

Finally, the Memphis branch of Coram would like to apply for licensure to be a HHA. We are asking if you would be willing to sign a letter of support for our endeavor. We look forward to continuing to work together on many referrals in the future.

Please give me a call if you have any questions.



Nicole Kirby, RN, MBA | Regional Nurse Manager
1680 Century Center Parkway, Suite 12 | Memphis, TN 38134 | P 901.386.3738 | F 901.347.6004
www.coramhc.com Find employment opportunities:   

*Wanda Lambert
P.O. Box 56
Kodak, Tennessee 37764*

December 5, 2013

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

This past summer, I was given a prescription for home infusion of an Alpha 1 therapy (Glassia). My regimen was for bi-weekly infusions with the therapy taking five to six hours each time. I am a Cigna patient. While Coram was identified to provide me with the therapy, Coram was unable to provide the nursing support to administer the Alpha 1 therapy or even attempt to teach me to self administer.

Unfortunately for me and the healthcare system, while Coram was available to provide the therapy, no home health agency was identified to provide the home nursing support. The only reason I did not have to go to a hospital or an infusion center for treatment is that Coram spent the time (hours and hours, days) contacting home health agencies to solicit such an entity to provide me with home health nursing. In fact, I am well aware that Coram spoke with eleven different agencies – all of whom denied me the needed training and treatment. This delay caused me much anxiety. I can't imagine that it didn't also increase my treatment costs to the healthcare system.

Having treatment needs is hardship enough on a patient. Not being able to reasonably access treatment in a timely manner is even worse.

It is for situations like mine, and for others like me, that I am writing this letter to request your Agency license Coram to provide these types of services. Please approve Coram's certificate of need application to provide limited scope home health services.

Thank you,



Wanda Lambert

Michelle Barford
1655 Panoha Drive
Germantown, Tennessee 38138

October 7, 2013

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

I am a nurse who is also a long term Total Parenteral Nutrition (TPN) patient. My personal experiences and my clinical knowledge are presented here to share with you why it is so very important that your Agency approve Coram's request for a limited service home health agency.

By way of background, I travel extensively and am involved in a patient advocate program. Because of my personal history with access maintenance and having to have a line replaced while out of the country in the past, I requested a Hickman/ CV line repair kit from Coram. Coram provides my TPN products. Coram had the kit available and the requisite program and educational material. However, because the Memphis branch did not have a CON to provide skilled nursing services, the nurses at the branch could not 'touch' me nor provide me with the skilled nursing training. Therefore, I went without this valuable resource.

Sure enough, about two months later, I experienced a fracture on the pigtail portion of my line that resulted in what I consider an unnecessary procedure.

Had Coram had its limited home health agency license, the healthcare systems costs would have been less as (1) I would not have had to had an extra procedures; (2) I could have fixed the problem without outside intervention; (3) the quality of my treatment and experience would have been improved; and (4) outcomes would have been improved. From a personal standpoint, the additional costs I incurred and additional hardships and recovery from the procedure I had to endure would have been avoided. I would have also had better patient outcomes, improving the quality and cost effectiveness of my care and treatment.

For the reasons as stated above, and my knowledge of Coram's commitment to quality service, please approve Coram's CON request for a limited service home health agency. Please contact me if I can be of further assistance.

Cordially,



Michelle Barford



October 11, 2013

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

My name is Margarita LaMothe, MD. I am an infectious disease and internal medicine physician practicing medicine for more than 25 years. I am board certified by the American Board of Internal Medicine in the specialty of Infectious Disease. I practice in the Memphis area.

Given my specialty, I strongly understand the importance of Coram's role in the at home care of highly acute and/or infectious patients. It is important to me and my patients that Coram's requested certificate of need be approved to establish a limited home health agency in West Tennessee. This will improve my patient's quality of care and these patient outcomes. I speak from full experience of the patient situations and Coram's skill set to recommend this approval.

One example that I had with a patient earlier this year was that the assigned home health agency did not draw the correct labs that I needed to assess my patient's condition. Thinking it was correcting the situation, the home health agency then drew them in the middle of the day. This patient was on a 10AM and 10PM schedule. The typical home health agency nurse, not certified in Infusion Services, does not understand the importance of pharmacokinetics like the Coram nurses do. This situation impacted my patient. Having Coram licensed to provide nursing in conjunction with the infusion would have improved this patient's outcome. This example is not in isolation; I regularly have other such circumstances.

Again, please authorize Coram to provide skilled nursing services to meet the unique needs of infusion patients. Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Margarita LaMothe'.

Margarita LaMothe, MD



October 9, 2013

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

I am the Regional Nurse Manager with Coram Alternate Site Services, Inc. We recently had a patient Mrs. B. H. whose husband, Mr. H., was her primary caregiver. Mrs. B.H. was a terminal patient who has since expired. We met Mrs. B. H. while a patient in a local hospital. The hospital had arranged for Coram to provide Mrs. B. H. with the infusion products and a home health agency to provide the at home skilled infusion services. Upon accepting the patient, Coram nurses saw the patient in the hospital, doing the pump connection and line assessment as is the standard of care for this type of patient. Mrs. B. H. then went home.

One of Coram's standard protocols is conduct a 24 hour follow up by telephone with each patient. During this callback the day after doing the pump connection and line assessment, the family answered the telephone. They informed the Coram representative that the contracted home health agency was still there and having difficulty accessing the port. In fact, we were informed that two nurses had attempted with three different needles. Obviously, both Mrs. B. H. and Mr. H. were quite concerned and fearful of the circumstance.

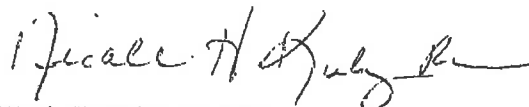
In response, Coram nurses took additional supplies to the patient home and provided one on one education on the spot for the nursing agency nurse. Our Coram staff talked the nurse through the appropriate technique for successfully accessing the port. The situation was very unfortunate for Mr. and Mrs. H. Their encounter with the healthcare system was suboptimal and the level of care received was below acceptable quality.

Had Coram been licensed to provide this level of skilled care for this unique infusion patient type, there would have been many benefits to the patient and healthcare system in general. The patient would have had improved patient experience; the patient would not have had two nurses with three different needles; the patient's outcome would have been better; the patient would have received treatment consistent with the standard of care; the patient would have had less stressors in this circumstance although we do not know the ultimate impact of that improvement on the health and longevity of the patient.

From a general healthcare perspective, had Coram provided the service from the outset, it would have been more cost effective as Coram came to the patient home to educate the other home health agency on treatment methods – so now extra nurse skills were used to treat the patient; quality of care would have been improved as a result of eliminating the failed attempts to access the port; and patient experience with the healthcare system would have been improved.

It is circumstances like this that necessitate the need for Coram to have its certificate of need application to provide limited scope home health services be approved. Please give our request favorable consideration.

Thank you,

A handwritten signature in cursive script, appearing to read "Nicole H. Kirby".

Nicole H. Kirby, RN, MBA
Regional Nurse Manager



*Pediatric,
Adolescent &
Adult Care*

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Armory Place**
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Hamblen**
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Allergy & Asthma Affiliates

Donald T. Ellenburg, M.D.
Timothy C. Frazier, D.Ph., M.D.
Andrew M. Singer, M.D.
W. Scout Robinson, M.D.

March 11, 2014

Ms. Melanie Hill
Certificate of Need Program
C/O Coram Alternate Site Services, Inc.

Dear Ms. Hill:

My name is Timothy Frazier, M.D.. I am board certified in allergy and immunology. My fellowship training was in both internal medicine and pediatrics. My practice consists of seeing both children and adults. My practice group currently has seven offices which are located in five different counties in the Greater Knoxville Area.

I have in the past referred many patients to Coram for specialty infusion services. Typically, the patients I am referring carry the diagnosis of primary immune deficiency. As you can understand, it is in general in the patient's best interest, with hypogammaglobulinemia, to avoid hospital settings and sick contacts. An ideal approach is for these patients to have treatments provided in the home when possible. Unfortunately, it is rare to find a home health agency willing to provide these services in the home, especially for pediatric patients. It is even a more difficult problem to find a home health agency willing to provide infusion nursing services for specialized infusion products such as IVIG, typically due to the lack of qualified nursing or inexperience in dealing with patients carrying diagnoses of primary immune deficiency.

I am well aware of the importance of Coram's role in the home health care of highly acute patients or patients at risk of contracting infection from sick contacts. It would be important to me, and more importantly my patients, that Coram's requested Certificate of Need be approved to establish a limited home health agency in the East Tennessee Area specifically to provide services for patients such as these. These services would certainly improve my patients' quality of care and outcomes. As stated, I have dealt with Coram often in the past; and the need for skilled nursing services for this population of patients is a current great need that is inadequately met.

Due to the above, I am in support of seeing the Coram Company establish a home health agency here in the Knoxville area.

Sincerely,

Timothy C. Frazier, DPH, M.D.

TCF/dw

SUBROTO KUNDU, M.D.
East TN Neurology LLC

February 24, 2014

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

I am a neurologist in clinical practice, in East Tennessee, with offices in Cleveland and in Chattanooga. I am board certified by the Neurology division of the American Board of Psychiatry and Neurology (ABPN) (1990).

I am writing to you because my patients who require immunoglobulin therapy do not have adequate services available to them in East Tennessee, particularly in Cleveland. My experience is consistent. When my patients who require IVIG therapy, and the most appropriate quality of care site to administer is in the home, the availability of this service is virtually non-existent. The licensed home health agencies serving our area are not proficient in IVIG therapy, are not familiar with first dose protocols and are generally not available to provide a nursing visit that lasts five to six hours which my patients require.

For the good of my patients care, please approve Coram's requested home health agency certificate of need to provide skilled nursing related to infusion therapy in the home. I am confident that this will improve the quality of care delivery in our area and for my patients.

Thank you,



Subroto Kundu, MD



Allergy & Asthma Associates

Donald T. Ellenburg, M.D.
Timothy C. Frazier, D.Ph., M.D.
Andrew M. Singer, M.D.
W. Scout Robinson, M.D.

*Pediatric,
Adolescent &
Adult Care*

February 27, 2014

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Armory Place**
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**Sevierville /
Bradford Square**
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Oak Ridge, TN 37810

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web

allergyaa.com

To Whom It May Concern:

As an allergist and immunologist, I take care of several patients who have immune deficiency and need infusions. With recent changes in healthcare environment, insurance companies are pushing for infusions to be done at home; and we do have a shortage locally of trained nursing agencies which are able to infuse patients safely at home.

With this in mind, I please request Coram be approved for having a group of nurses who can do infusions at home to facilitate treatment of our patients.

Thank you for taking this into consideration.

Sincerely,

Andrew M. Singer, M.D.

AMS/dw

Phyllis Gibb
905 29th Street SE
Cleveland, Tennessee 37323

December 4, 2013

Ms. Melanie Hill
Certificate of Need Program
c/o Coram Alternate Site Services, Inc.

Dear Ms. Hill:

I am a patient who has had a need for home infusion of intravenous immunoglobulin infusion (IVIG) therapy. Coram Specialty Infusion Services provides me with the products necessary for my treatment.

My treatment was five days per week, five to six hours per treatment for three weeks. No home health agency would provide the staffing support for me to have this treatment at home. Reasons they could not provide the staff was the duration and frequency of treatment.

I was forced to go to an infusion center which was time consuming, exposed me to germs and cost more for the care. In times when we should be concerned about cost effectiveness of care, quality of care and appropriateness of treatment by venue, my situation exemplifies what is wrong with the system.

Had Coram been able to provide the nursing staff support in my home and train me to self-administer, outcomes, cost effectiveness and quality would have been improved.

It is important to me and others like me that you approve the Coram request to establish a limited service home health agency to serve the specialized needs of patients like me. Thank you very much for your consideration.

Very truly yours,


Phyllis Gibb

ATTACHMENT, SECTION C,
ECONOMIC FEASIBILITY, ITEM 2

CORAM ALTERNATE SITE SERVICES, INC.

FUNDING LETTER



May 31, 2014

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street
Nashville, Tennessee 37243

**RE: Certificate of Need Application by Coram Alternate Site Services, Inc.
Establishment of a Limited Service Home Health Agency in West Tennessee (Memphis)**

Dear Ms. Hill:

Coram Alternate Site Services, Inc. is filing the Certificate of Need (CON) application described above to become approved in 25 counties throughout West Tennessee. Coram Alternate Site Services, Inc. is a wholly owned subsidiary of Coram Specialty Infusion Services, Inc. which owns 100 percent of the Applicant's issued shares. Coram LLC is a parent of Coram Specialty Infusion Services and its ultimate parent is CVS Caremark Corporation (CVS). I hereby make the following funding commitment to Coram Alternate Site Services, Inc. on behalf of CVS for the purpose of establishing, licensing and operating the proposed limited service home health agency in West Tennessee.

The project costs identified on the Project Cost Chart in the CON application are \$98,000. CVS Caremark Corporation will fund these costs from its existing current assets (cash on hand). As the most recent 10Q of CVS indicates, CVS has in excess of \$2.7 billion cash and cash equivalents on hand as of March 31, 2014.

In addition to the commitment for the above noted project costs, CVS is also committed to providing the necessary working capital for this proposed home health agency as well as funding any operating deficits and other pre-opening costs. CVS has sufficient resources to fully fund these expenditures in addition to its other ongoing obligations. This is evidenced by CVS' balance sheet which is included as an attachment within the CON application.

Please accept this letter as confirmation of CVS Caremark Corporation's commitment to fund the proposed project including the total project costs, any necessary working capital, and any operating deficits incurred in the start up through its ongoing operation. We are fully committed to the funding of this project and look forward to the successful implementation of this program.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael E. Dell', is written over a horizontal line.

Michael E. Dell
Senior Vice President, General Counsel & Secretary
Coram Alternate Site Services, Inc.

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Form 10-Q

CVS CAREMARK CORP - CVS

Filed: May 02, 2014 (period: March 31, 2014)

Quarterly report with a continuing view of a company's financial position

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EX-15.1 (LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION)

EX-31.1 (CERTIFICATION OF CEO PURSUANT TO SECTION 302 OF THE SARBANES -OXLEY ACT OF 2002)

EX-31.2 (CERTIFICATION OF CFO PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

EX-32.1 (CERTIFICATION OF CEO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

EX-32.2 (CERTIFICATION OF CFO PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2014

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number 001-01011

CVS CAREMARK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

05-0494040
(I.R.S. Employer Identification Number)

One CVS Drive, Woonsocket, Rhode Island 02895
(Address of principal executive offices)

Registrant's telephone number, including area code: (401) 765-1500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes[X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]

Accelerated filer []

Non-accelerated filer [] (Do not check if a smaller reporting company)

Smaller reporting company []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

Common Stock, \$0.01 par value, issued and outstanding at April 25, 2014:

1,169,230,063 shares

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CVS Caremark Corporation
Condensed Consolidated Statements of Income
(Unaudited)

| <i>In millions, except per share amounts</i> | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2014 | 2013 |
| Net revenues | \$ 32,689 | \$ 30,751 |
| Cost of revenues | 26,747 | 25,174 |
| Gross profit | 5,942 | 5,577 |
| Operating expenses | 3,918 | 3,883 |
| Operating profit | 2,024 | 1,694 |
| Interest expense, net | 158 | 126 |
| Income before income tax provision | 1,866 | 1,568 |
| Income tax provision | 737 | 614 |
| Net income | \$ 1,129 | \$ 954 |
| Net income per share: | | |
| Basic | \$ 0.96 | \$ 0.77 |
| Diluted | \$ 0.95 | \$ 0.77 |
| Weighted averages shares outstanding: | | |
| Basic | 1,180 | 1,232 |
| Diluted | 1,190 | 1,241 |
| Dividends declared per share | \$ 0.275 | \$ 0.225 |

See accompanying notes to condensed consolidated financial statements.

CVS Caremark Corporation
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

| <i>In millions</i> | Three Months Ended March 31, | |
|--|------------------------------|--------|
| | 2014 | 2013 |
| Net income | \$ 1,129 | \$ 954 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustments, net of tax | 9 | (2) |
| Cash flow hedges, net of tax | 1 | 1 |
| Total other comprehensive income (loss) | 10 | (1) |
| Comprehensive income | \$ 1,139 | \$ 953 |

See accompanying notes to condensed consolidated financial statements.

CVS Caremark Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

| <i>In millions, except per share amounts</i> | March 31, 2014 | December 31, 2013 |
|--|-------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,766 | \$ 4,089 |
| Short-term investments | 82 | 88 |
| Accounts receivable, net | 9,086 | 8,729 |
| Inventories | 11,188 | 11,045 |
| Deferred income taxes | 929 | 902 |
| Other current assets | 409 | 472 |
| Total current assets | 24,460 | 25,325 |
| Property and equipment, net | 8,676 | 8,615 |
| Goodwill | 28,139 | 26,542 |
| Intangible assets, net | 9,986 | 9,529 |
| Other assets | 1,561 | 1,515 |
| Total assets | \$ 72,822 | \$ 71,526 |
| Liabilities: | | |
| Accounts payable | \$ 5,638 | \$ 5,548 |
| Claims and discounts payable | 4,878 | 4,548 |
| Accrued expenses | 5,132 | 4,768 |
| Current portion of long-term debt | 565 | 561 |
| Total current liabilities | 16,213 | 15,425 |
| Long-term debt | 12,845 | 12,841 |
| Deferred income taxes | 4,053 | 3,901 |
| Other long-term liabilities | 1,499 | 1,421 |
| Commitments and contingencies (Note 9) | — | — |
| Shareholders' equity: | | |
| CVS Caremark shareholders' equity: | | |
| Preferred stock, par value \$0.01: 0.1 share authorized; none issued or outstanding | — | — |
| Common stock, par value \$0.01: 3,200 shares authorized; 1,684 shares issued and 1,173 | | |

| | | |
|---|-----------|-----------|
| shares outstanding at March 31, 2014 and 1,680 shares issued and 1,180 shares | | |
| outstanding at December 31, 2013 | 17 | 17 |
| Treasury stock, at cost: 510 shares at March 31, 2014 and 500 shares at December 31, 2013 | (20,919) | (20,169) |
| Shares held in trust: 1 share at March 31, 2014 and December 31, 2013 | (31) | (31) |
| Capital surplus | 29,985 | 29,777 |
| Retained earnings | 29,297 | 28,493 |
| Accumulated other comprehensive loss | (139) | (149) |
| Total CVS Caremark shareholders' equity | 38,210 | 37,938 |
| Noncontrolling interest | 2 | — |
| Total shareholders' equity | 38,212 | 37,938 |
| Total liabilities and shareholders' equity | \$ 72,822 | \$ 71,526 |

See accompanying notes to condensed consolidated financial statements.

CVS Caremark Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| <i>In millions</i> | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Cash receipts from customers | \$ 30,505 | \$ 28,018 |
| Cash paid for inventory and prescriptions dispensed by retail network pharmacies | (23,966) | (22,270) |
| Cash paid to other suppliers and employees | (4,196) | (3,889) |
| Interest received | 3 | 1 |
| Interest paid | (104) | (104) |
| Income taxes paid | (70) | (116) |
| Net cash provided by operating activities | <u>2,172</u> | <u>1,640</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (388) | (318) |
| Proceeds from sale-leaseback transactions | 5 | — |
| Proceeds from sale of property and equipment | 5 | 5 |
| Acquisitions (net of cash acquired) and other investments | (2,194) | (254) |
| Purchase of available-for-sale investments | (43) | — |
| Sales/maturities of available-for-sale investments | 55 | — |
| Net cash used in investing activities | <u>(2,560)</u> | <u>(567)</u> |
| Cash flows from financing activities: | | |
| Decrease in short-term debt | — | (390) |
| Dividends paid | (325) | (277) |
| Proceeds from exercise of stock options | 154 | 150 |
| Excess tax benefits from stock-based compensation | 37 | 13 |
| Repurchase of common stock | (801) | (393) |
| Net cash used in financing activities | <u>(935)</u> | <u>(897)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(1,323)</u> | <u>176</u> |
| Cash and cash equivalents at beginning of period | 4,089 | 1,375 |
| Cash and cash equivalents at end of period | <u>\$ 2,766</u> | <u>\$ 1,551</u> |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | \$ 1,129 | \$ 954 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 477 | 502 |
| Stock-based compensation | 35 | 34 |

| | | |
|---|-----------------|-----------------|
| Deferred income taxes and other noncash items | 16 | 66 |
| Change in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable, net | (139) | (113) |
| Inventories | (64) | 186 |
| Other current assets | 70 | 238 |
| Other assets | (39) | (135) |
| Accounts payable and claims and discounts payable | 339 | (230) |
| Accrued expenses | 362 | 114 |
| Other long-term liabilities | (14) | 24 |
| Net cash provided by operating activities | <u>\$ 2,172</u> | <u>\$ 1,640</u> |

See accompanying notes to condensed consolidated financial statements.

CVS Caremark Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of CVS Caremark Corporation and its majority-owned subsidiaries (“CVS Caremark” or the “Company”) have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. In accordance with such rules and regulations, certain information and accompanying note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, which are included in Exhibit 13 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 (the “2013 Form 10-K”).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented. Because of the influence of various factors on the Company’s operations, including business combinations, certain holidays and other seasonal influences, net income for any interim period may not be comparable to the same interim period in previous years or necessarily indicative of income for the full fiscal year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated.

Fair Value of Financial Instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- Level 3 – Inputs to the valuation methodology are unobservable inputs based upon management’s best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

As of March 31, 2014, the carrying value of cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximated their fair value due to the short-term nature of these financial instruments. The Company invests in money market funds, commercial paper and time deposits that are classified as cash and cash equivalents within the accompanying condensed consolidated balance sheets, as these funds are highly liquid and readily convertible to known amounts of cash. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The Company’s short-term investments consist of certificates of deposit with initial maturities of greater than three months when purchased. These investments, which are classified within Level 1 of the fair value hierarchy, are carried at fair value, which approximated historical cost at March 31, 2014. The carrying amount and estimated fair value of the Company’s total long-term debt was \$13.4 billion and \$14.5 billion, respectively, as of March 31, 2014. The fair value of the Company’s long-term debt was estimated based on quoted prices currently offered in active markets for the Company’s debt, which is considered Level 1 of the fair value hierarchy.

Related Party Transactions

The Company has an equity method investment in SureScripts, LLC ("SureScripts"), which operates a clinical health information network. The Pharmacy Services and Retail Pharmacy segments utilize this clinical health information network in providing services to client plan members and retail customers. The Company expensed fees of approximately \$16 million and \$14 million in the three months ended March 31, 2014 and 2013, respectively, for the use of this network.

The Company's investment in and equity in earnings in SureScripts for all periods presented is immaterial.

Note 2 – Acquisition

On January 16, 2014, the Company acquired 100 percent of the voting interests of Coram LLC ("Coram"), the specialty infusion services and enteral nutrition business unit of Apria Healthcare Group Inc. for cash consideration of approximately \$2.1 billion, plus contingent consideration of approximately \$0.1 billion. The purchase price is also subject to a working capital adjustment. Coram is one of the nation's largest providers of comprehensive infusion services, caring for approximately 165,000 patients annually. Coram has approximately 4,600 employees, including approximately 600 nurses and 250 dietitians, operating primarily through 84 branch locations and six centers of excellence for patient intake.

The contingent consideration is based on the Company's future realization of Coram's tax net operating loss carryforwards ("NOLs") as of the date of the acquisition. The Company will pay the seller the first \$60 million in tax savings realized from the future utilization of the Coram NOLs, plus 50% of any additional future tax savings from the remaining NOLs. The estimated fair value of the approximately \$0.1 billion contingent consideration liability associated with the future realization of the Coram NOLs was estimated by discounting, to present value, the contingent payments expected to be made based on the Company's estimate of the amount and timing of Coram NOLs that will ultimately be realized.

The fair value of assets acquired and liabilities assumed were approximately \$2.5 billion and \$0.3 billion, respectively, which included accounts receivable of approximately \$0.2 billion, identifiable finite-lived intangible assets of approximately \$0.5 billion and goodwill of approximately \$1.6 billion which is nondeductible for income tax purposes. The goodwill represents future economic benefits expected to arise from the Company's expanded presence in the specialty pharmaceuticals market, the assembled workforce acquired, and the expected synergies from combining operations with Coram. The assessment of fair value is preliminary and is based on information that was available to management at the time the condensed consolidated financial statements were prepared. Accordingly, such amounts may change. The most significant open items include the working capital adjustment, the accounting for deferred income taxes including the acquired NOLs, and the accounting for the related contingent consideration liability. The Company has requested additional information from the seller with respect to certain acquired tax attributes and uncertain tax positions and is awaiting the completion of a third party study to quantify the Company's annual NOL usage limitation.

Coram's results of operations are included in the Company's Pharmacy Services Segment beginning on January 16, 2014. Pro forma information for this acquisition is not presented as Coram's results are immaterial to the Company's condensed consolidated financial statements. During the three months ended March 31, 2014, acquisition costs of \$14 million were expensed as incurred within operating expenses.

Note 3 – Goodwill

Below is a summary of the changes in the carrying amount of goodwill by segment for the three months ended March 31, 2014:

| <i>In millions</i> | Pharmacy Services | Retail Pharmacy | Total |
|--|-------------------|-----------------|------------------|
| Balance, December 31, 2013 | \$ 19,658 | \$ 6,884 | \$ 26,542 |
| Acquisition | 1,593 | — | 1,593 |
| Foreign currency translation adjustments | — | 5 | 5 |
| Other ⁽¹⁾ | (1) | — | (1) |
| Balance, March 31, 2014 | <u>\$ 21,250</u> | <u>\$ 6,889</u> | <u>\$ 28,139</u> |

(1) "Other" represents immaterial purchase accounting adjustments for acquisitions.

Note 4 – Share Repurchase Program

On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program"). The share repurchase authorizations, each of which was effective immediately, permitted the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The 2013 and 2012 Repurchase Programs may be modified or terminated by the Board of Directors at any time.

During the three months ended March 31, 2014, the Company repurchased an aggregate of approximately 11.0 million shares of common stock for approximately \$0.8 billion pursuant to the 2013 and 2012 Repurchase Programs. As of March 31, 2014, approximately \$5.9 billion remained available for future repurchases under the 2013 Repurchase Program and the 2012 Repurchase Program was complete.

Note 5 – Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, unrealized losses on derivatives from cash flow hedges executed in previous years associated with the issuance of long-term debt, and changes in the net actuarial gains and losses associated with pension and other postretirement benefit plans. The following table summarizes the activity within the components of accumulated other comprehensive income.

Changes in accumulated other comprehensive income (loss) by component are shown below⁽¹⁾:

| <i>In millions</i> | Three Months Ended March 31, 2014 | | | |
|--|-----------------------------------|----------------------------|---|-----------------|
| | Foreign Currency | Losses on Cash Flow Hedges | Pension and Other Postretirement Benefits | Total |
| Balance, December 31, 2013 | \$ (30) | \$ (13) | \$ (106) | \$ (149) |
| Other comprehensive income before reclassifications | 9 | — | — | 9 |
| Amounts reclassified from accumulated other comprehensive income | — | 1 | — | 1 |
| (2) | — | 1 | — | 1 |
| Other comprehensive income | 9 | 1 | — | 10 |
| Balance, March 31, 2014 | <u>\$ (21)</u> | <u>\$ (12)</u> | <u>\$ (106)</u> | <u>\$ (139)</u> |
| <i>In millions</i> | Three Months Ended March 31, 2013 | | | |
| | Foreign Currency | Losses on Cash Flow Hedges | Pension and Other Postretirement Benefits | Total |
| Balance, December 31, 2012 | \$ — | \$ (16) | \$ (165) | \$ (181) |
| Other comprehensive income (loss) before reclassifications | (2) | — | — | (2) |
| Amounts reclassified from accumulated other comprehensive income | — | 1 | — | 1 |
| (2) | — | 1 | — | 1 |
| Other comprehensive income (loss) | (2) | 1 | — | (1) |
| Balance, March 31, 2013 | <u>\$ (2)</u> | <u>\$ (15)</u> | <u>\$ (165)</u> | <u>\$ (182)</u> |

(1) All amounts are net of tax.

(2) The amounts reclassified from accumulated other comprehensive income for cash flow hedges are recorded within interest expense, net on the condensed consolidated statement of income. The amounts reclassified from accumulated other comprehensive income for pension and other postretirement benefits are included in operating expenses on the condensed consolidated statement of income.

Note 6 – Interest Expense

The following are the components of net interest expense:

| <i>In millions</i> | Three Months Ended March 31, | |
|-----------------------|---------------------------------|--------|
| | 2014 | 2013 |
| Interest expense | \$ 161 | \$ 127 |
| Interest income | (3) | (1) |
| Interest expense, net | \$ 158 | \$ 126 |

Note 7 – Earnings Per Share

Basic earnings per share is computed by dividing: (i) net income by (ii) the weighted average number of shares outstanding in the period (the “Basic Shares”).

Diluted earnings per share is computed by dividing: (i) net income by (ii) Basic Shares plus the additional shares that would be issued assuming that all dilutive stock awards are exercised. Options to purchase approximately 0.1 million and 8.1 million shares of common stock were outstanding, but were not included in the calculation of diluted earnings per share for the three months ended March 31, 2014 and 2013, respectively, because the options’ exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

The following is a reconciliation of basic and diluted earnings per share for the respective periods:

| <i>In millions, except per share amounts</i> | Three Months Ended March 31, | |
|---|------------------------------|---------|
| | 2014 | 2013 |
| Numerator for earnings per share calculations: | | |
| Net income | \$ 1,129 | \$ 954 |
| Denominators for earnings per share calculations: | | |
| Weighted average shares, basic | 1,180 | 1,232 |
| Effect of dilutive securities: | | |
| Stock options | 8 | 7 |
| Restricted stock units | 2 | 2 |
| Weighted average shares, diluted | 1,190 | 1,241 |
| Net income per share: | | |
| Basic | \$ 0.96 | \$ 0.77 |
| Diluted | \$ 0.95 | \$ 0.77 |

Note 8 – Segment Reporting

The Company has three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate. The Company’s segments maintain separate financial information for which operating results are evaluated on a regular basis by the Company’s chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company evaluates its Pharmacy Services and Retail Pharmacy segments’ performance based on net revenue, gross profit and operating profit before the effect of nonrecurring charges and gains and certain intersegment activities. The Company evaluates the performance of its Corporate Segment based on operating expenses before the effect of nonrecurring charges and gains and certain intersegment activities.

The Pharmacy Services Segment provides a full range of pharmacy benefit management (“PBM”) services including mail service dispensing pharmacies, specialty pharmacy and infusion services, plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, retail pharmacy network management

services, prescription management systems, clinical services and disease management services. The Company's customers are primarily employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans and individuals throughout the United States. In addition, through the Company's SilverScript[®] Insurance Company subsidiary, the Company is a national provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program. The Pharmacy Services business operates under the CVS Caremark[®] Pharmacy Services, Caremark[®], CVS Caremark[®], CarePlus CVS/pharmacy[®], RxAmerica[®], Accordant[®], SilverScript[®], Novologix[®] and Coram[®] names. As of March 31, 2014, the Pharmacy Services Segment operated 24 retail specialty pharmacy stores, 11 specialty mail order pharmacies, four mail service dispensing pharmacies, and 84 branches and six centers of excellence for infusion and enteral services located in 40 states, Puerto Rico and the District of Columbia.

The Retail Pharmacy Segment sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards and convenience foods through the Company's CVS/pharmacy[®], CVS[®], Longs Drugs[®] and Drogaria Onofre[®] retail stores and online through CVS.com[®] and Onofre.com.br. As of March 31, 2014, the Retail Pharmacy Segment included 7,675 retail drugstores (of which 7,615 operated a pharmacy), 17 onsite pharmacies, 828 retail health care clinics, and the online retail websites, CVS.com and Onofre.com.br. The retail drugstores are located in 43 states, the District of Columbia, Puerto Rico and Brazil. The retail health care clinics operate under the MinuteClinic[®] name, and 820 are located within CVS/pharmacy stores. MinuteClinics utilize nationally-recognized medical protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions and deliver vaccinations. The clinics are staffed by board-certified nurse practitioners and physician assistants who provide access to affordable care without appointment.

The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

| <i>In millions</i> | Pharmacy Services Segment ⁽¹⁾ | Retail Pharmacy Segment | Corporate Segment | Intersegment Eliminations ⁽²⁾ | Consolidated Totals |
|----------------------------|--|-------------------------------|----------------------|---|------------------------|
| Three Months Ended | | | | | |
| March 31, 2014: | | | | | |
| Net revenues | \$ 20,195 | \$ 16,480 | \$ — | \$ (3,986) | \$ 32,689 |
| Gross profit | 934 | 5,184 | — | (176) | 5,942 |
| Operating profit (loss) | 640 | 1,750 | (190) | (176) | 2,024 |
| March 31, 2013: | | | | | |
| Net revenues | 18,311 | 16,039 | — | (3,599) | 30,751 |
| Gross profit | 768 | 4,947 | — | (138) | 5,577 |
| Operating profit (loss) | 499 | 1,532 | (199) | (138) | 1,694 |
| Total assets: | | | | | |
| March 31, 2014 | 40,365 | 30,960 | 2,480 | (983) | 72,822 |
| December 31, 2013 | 38,343 | 30,191 | 4,420 | (1,428) | 71,526 |
| Goodwill: | | | | | |
| March 31, 2014 | 21,250 | 6,889 | — | — | 28,139 |
| December 31, 2013 | 19,658 | 6,884 | — | — | 26,542 |

(1) Net revenues of the Pharmacy Services Segment include approximately \$2.2 billion of retail co-payments for both of the three months ended March 31, 2014 and 2013.

(2) Intersegment eliminations relate to two types of transactions: (i) Intersegment revenues that occur when Pharmacy Services Segment customers use Retail Pharmacy Segment stores to purchase covered products. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue on a stand-alone basis, and (ii) Intersegment revenues, gross profit and operating profit that occur when Pharmacy Services Segment customers, through the Company's intersegment activities (such as the Maintenance Choice[®] program), elect to pick-up their maintenance prescriptions at Retail Pharmacy Segment stores instead of receiving them through the mail. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue, gross profit and operating profit on a standalone basis. The following amounts are eliminated in consolidation in connection with the item

(ii) intersegment activity above: net revenues of \$1.1 billion and \$939 million for the three months ended March 31, 2014 and 2013, respectively; and gross profit and operating profit of \$176 million and \$138 million for the three months ended March 31, 2014 and 2013, respectively.

Note 9 – Commitments and Contingencies

Lease Guarantees

Between 1991 and 1997, the Company sold or spun off a number of subsidiaries, including Bob's Stores, Linens 'n Things, Marshalls, Kay-Bee Toys, Wilsons, This End Up and Footstar. In many cases, when a former subsidiary leased a store, the Company provided a guarantee of the store's lease obligations. When the subsidiaries were disposed of, the Company's guarantees remained in place, although each initial purchaser has indemnified the Company for any lease obligations the Company was required to satisfy. If any of the purchasers or any of the former subsidiaries were to become insolvent and failed to make the required payments under a store lease, the Company could be required to satisfy these obligations.

As of March 31, 2014, the Company guaranteed approximately 72 such store leases (excluding the lease guarantees related to Linens 'n Things, which have been recorded as a liability on the condensed consolidated balance sheet), with the maximum remaining lease term extending through 2026. Management believes the ultimate disposition of any of the remaining guarantees will not have a material adverse effect on the Company's consolidated financial condition, results of operations or future cash flows.

Legal Matters

The Company is a party to legal proceedings, investigations and claims in the ordinary course of its business, including the matters described below. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. None of the Company's accruals for outstanding legal matters are material individually or in the aggregate to the Company's financial position.

The Company's contingencies are subject to significant uncertainties, including, among other factors: (i) the procedural status of pending matters; (ii) whether class action status is sought and certified; (iii) whether asserted claims or allegations will survive dispositive motion practice; (iv) the extent of potential damages, fines or penalties, which are often unspecified or indeterminate; (v) the impact of discovery on the legal process; (vi) whether novel or unsettled legal theories are at issue; (vii) the settlement posture of the parties, and/or (viii) in the case of certain government agency investigations, whether a sealed *qui tam* lawsuit ("whistleblower" action) has been filed and whether the government agency makes a decision to intervene in the lawsuit following investigation.

Except as otherwise noted, the Company cannot predict with certainty the timing or outcome of the legal matters described below, and is unable to reasonably estimate a possible loss or range of possible loss in excess of amounts already accrued for these matters.

In December 2007, the Company received a document subpoena from the Office of Inspector General ("OIG") within the U.S. Department of Health and Human Services ("HHS"), requesting information relating to the processing of Medicaid and certain other government agency claims on behalf of its clients (which allegedly resulted in underpayments from our pharmacy benefit management clients to the applicable government agencies) on one of the Company's adjudication platforms. The Company has provided documents and other information in response to this request for information. The Company has been conducting discussions with the United States Department of Justice ("DOJ") and the OIG regarding a possible settlement of this matter.

Caremark (the term "Caremark" being used herein to generally refer to any one or more pharmacy benefit management subsidiaries of the Company, as applicable) was named in a putative class action lawsuit filed in October 2003 in Alabama state court by John Lauriello, purportedly on behalf of participants in the 1999 settlement of various securities class action and derivative lawsuits against Caremark and others. Other defendants include insurance companies that provided coverage to Caremark with respect to the settled lawsuits. The Lauriello lawsuit seeks approximately \$3.2 billion in compensatory damages plus other non-specified damages based on allegations that the amount of insurance coverage available for the settled lawsuits was misrepresented and suppressed. A similar lawsuit was filed in November 2003 by Frank McArthur, also in Alabama state court, naming as defendants Caremark, several insurance companies, attorneys and law firms involved in the 1999 settlement. This lawsuit was stayed as a later-filed class action, but McArthur was subsequently allowed to intervene in the Lauriello action. Following the close of class discovery, the trial court entered an Order on August 15, 2012 that granted the plaintiffs' motion to certify a class.

pursuant to Alabama Rules of Civil Procedure 23(b)(3) but denied their request that the class also be certified pursuant to Rule 23(b)(1). In addition, the August 15, 2012 Order appointed class representatives and class counsel. The defendants' appeal and plaintiffs' cross-appeal are pending before the Alabama Supreme Court. The proceedings in the trial court are stayed by statute pending a decision on the appeal and cross-appeal by the Alabama Supreme Court.

Various lawsuits have been filed alleging that Caremark has violated applicable antitrust laws in establishing and maintaining retail pharmacy networks for client health plans. In August 2003, Bellevue Drug Co., Robert Schreiber, Inc. d/b/a Burns Pharmacy and Rehn-Huerbinger Drug Co. d/b/a Parkway Drugs #4, together with Pharmacy Freedom Fund and the National Community Pharmacists Association filed a putative class action against Caremark in Pennsylvania federal court, seeking treble damages and injunctive relief. This case was initially sent to arbitration based on the contract terms between the pharmacies and Caremark. In October 2003, two independent pharmacies, North Jackson Pharmacy, Inc. and C&C, Inc. d/b/a Big C Discount Drugs, Inc., filed a putative class action complaint in Alabama federal court against Caremark and two PBM competitors, seeking treble damages and injunctive relief. The North Jackson Pharmacy case against two of the Caremark entities named as defendants was transferred to Illinois federal court, and the case against a separate Caremark entity was sent to arbitration based on contract terms between the pharmacies and Caremark. The Bellevue arbitration was then stayed by the parties pending developments in the North Jackson Pharmacy court case.

In August 2006, the Bellevue case and the North Jackson Pharmacy case were both transferred to Pennsylvania federal court by the Judicial Panel on Multidistrict Litigation for coordinated and consolidated proceedings with other cases before the panel, including cases against other PBMs. Caremark appealed the decision which vacated an order compelling arbitration and staying the proceedings in the Bellevue case and, following the appeal, the Court of Appeals reinstated the order compelling arbitration of the Bellevue case. Following remand, plaintiffs in the Bellevue case sought dismissal of their complaint to permit an immediate appeal of the reinstated order compelling arbitration and pursued an appeal to the Third Circuit Court of Appeals. In November 2012, the Third Circuit Court reversed the district court ruling and directed the parties to proceed in federal court. Motions for class certification in the coordinated cases within the multidistrict litigation, including the North Jackson Pharmacy case, remain pending, and the court has permitted certain additional class discovery and briefing. The consolidated action is now known as the In Re Pharmacy Benefit Managers Antitrust Litigation.

In November 2009, a securities class action lawsuit was filed in the United States District Court for the District of Rhode Island purportedly on behalf of purchasers of CVS Caremark Corporation stock between May 5, 2009 and November 4, 2009. Plaintiffs subsequently amended the lawsuit to allege a class period beginning October 30, 2008. The lawsuit names the Company and certain officers as defendants and includes allegations of securities fraud relating to public disclosures made by the Company concerning the PBM business and allegations of insider trading. In addition, a shareholder derivative lawsuit was filed in December 2009 in the same court against the directors and certain officers of the Company. This lawsuit, which was stayed pending developments in the related securities class action, includes allegations of, among other things, securities fraud, insider trading and breach of fiduciary duties and further alleges that the Company was damaged by the purchase of stock at allegedly inflated prices under its share repurchase program. In January 2011, both lawsuits were transferred to the United States District Court for the District of New Hampshire. In June 2012, the court granted the Company's motion to dismiss the securities class action. The plaintiffs subsequently appealed the court's ruling on the motion to dismiss. In May 2013, the First Circuit Court of Appeals vacated the prior ruling and remanded the case to the district court for further proceedings. In December 2013, the district court denied the Company's renewed motion to dismiss the lawsuit. The derivative lawsuit is presently stayed pending further developments in the class action.

In March 2010, the Company learned that various State Attorneys General offices and certain other government agencies were conducting a multi-state investigation of certain of the Company's business practices similar to those being investigated at that time by the U.S. Federal Trade Commission ("FTC"). Twenty-eight states, the District of Columbia and the County of Los Angeles are known to be participating in this investigation. The prior FTC investigation, which commenced in August 2009, was officially concluded in May 2012 when the consent order entered into between the FTC and the Company became final. The Company has cooperated in the multi-state investigation.

In March 2010, the Company received a subpoena from the OIG requesting information about programs under which the Company has offered customers remuneration conditioned upon the transfer of prescriptions for drugs or medications to the Company's pharmacies in the form of gift cards, cash, non-prescription merchandise or discounts or coupons for non-prescription merchandise. The subpoena relates to an investigation of possible false or otherwise

improper claims for payment under the Medicare and Medicaid programs. The Company has provided documents and other information in response to this request for information.

The Company received a subpoena from the U.S. Securities and Exchange Commission ("SEC") in February 2011 and subsequently received additional subpoenas and other requests for information. The SEC's requests related to, among other things, public disclosures made by the Company during 2009, transactions in the Company's securities by certain officers and employees of the Company during 2009 and the purchase accounting for the Longs Drug Stores acquisition. The Company has cooperated with the SEC and in April 2014 reached a final agreement with the SEC to settle certain allegations that, during the third and fourth quarters of 2009, the Company violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, including certain anti-fraud provisions of those statutes. The agreement has been entered into by the Company on a "no admit or deny" basis, and the Company is not required to restate its financial statements for any reporting period. The settlement has been approved and entered by the federal court and the matter is now fully concluded. The Company paid a \$20 million civil penalty in April 2014, which was fully reserved in the Company's condensed consolidated financial statements as of March 31, 2014.

In January 2012, the United States District Court for the Eastern District of Pennsylvania unsealed a first amended *qui tam* complaint filed in August 2011 by an individual relator, who is described in the complaint as having once been employed by a firm providing pharmacy prescription benefit audit and recovery services. The complaint seeks monetary damages and alleges that Caremark's processing of Medicare claims on behalf of one of its clients violated the federal false claims act. The United States, acting through the U.S. Attorney's Office in Philadelphia, Pennsylvania, declined to intervene in the lawsuit. Caremark filed a motion to dismiss the amended complaint and the DOJ filed a Statement of Interest with regard to Caremark's motion to dismiss. In December 2012, the court denied Caremark's motion to dismiss the amended complaint.

In January 2012, the Company received a subpoena from the OIG requesting information about its Health Savings Pass program, a prescription drug discount program for uninsured or underinsured individuals, in connection with an investigation of possible false or otherwise improper claims for payment involving HHS programs. In February 2012, the Company also received a civil investigative demand from the Office of the Attorney General of the State of Texas requesting a copy of information produced under this OIG subpoena and other information related to prescription drug claims submitted by the Company's pharmacies to Texas Medicaid for reimbursement. The Company is providing documents and other information in response to these requests for information.

A purported shareholder derivative action was filed on behalf of nominal defendant CVS Caremark Corporation against certain of the Company's officers and members of its Board of Directors. The action, which alleged a single claim for breach of fiduciary duty relating to the Company's alleged failure to properly implement internal regulatory controls to comply with the Controlled Substances Act and the Combat Methamphetamine Epidemic Act, was originally filed in June 2012. In addition, an amended complaint was filed in November 2012 and a Supplemental Complaint was filed in April 2013. In October 2013, the court granted the Company's motion to dismiss and entered judgment dismissing the action, without prejudice. Following dismissal of the action, the same purported shareholder sent a letter to the Company's Board of Directors demanding that the Board investigate her allegations and pursue legal action against certain directors and officers of the Company. A committee of the Board of Directors is conducting a review and intends to respond to the letter as appropriate.

In November 2012, the Company received a subpoena from the OIG requesting information concerning automatic refill programs used by pharmacies to refill prescriptions for customers. The Company has been cooperating and providing documents and other information in response to this request for information.

In March 2014, the Company received a subpoena from the United States Attorney's Office for the District of Rhode Island, requesting documents and information concerning bona fide service fees and rebates received from certain pharmaceutical manufacturers in connection with certain drugs utilized under Part D of the Medicare Program. The Company has been cooperating with the government and collecting documents in response to the subpoena.

On October 12, 2012, the Drug Enforcement Agency ("DEA") Administrator published its Final Decision and Order revoking the DEA license registrations for dispensing controlled substances at two of our retail pharmacy stores in Sanford, Florida. The license revocations for the two stores formally became effective on November 13, 2012. The pharmacies had voluntarily suspended dispensing controlled substances since April 2012, and have continued operating in that manner in compliance with the DEA Order. The Company has entered into discussions with the U.S. Attorney's Office for the Middle District of Florida concerning civil penalties for violations of the Controlled

Substances Act arising from the circumstances underlying the action taken against the two Sanford, Florida stores. The Company is also undergoing several audits by the DEA and is in discussions with the DEA and the U.S. Attorney's Office in several locations. Whether agreements can be reached and on what terms is uncertain.

The Company is also a party to other legal proceedings, government investigations, inquiries and audits arising in the normal course of its business, none of which is expected to be material to the Company. The Company can give no assurance, however, that its business, financial condition and results of operations will not be materially adversely affected, or that the Company will not be required to materially change its business practices, based on: (i) future enactment of new health care or other laws or regulations; (ii) the interpretation or application of existing laws or regulations as they may relate to the Company's business, the pharmacy services, retail pharmacy or retail clinic industries or to the health care industry generally; (iii) pending or future federal or state governmental investigations of the Company's business or the pharmacy services, retail pharmacy or retail clinic industry or of the health care industry generally; (iv) pending or future government enforcement actions against the Company; (v) adverse developments in any pending *qui tam* lawsuit against the Company, whether sealed or unsealed, or in any future *qui tam* lawsuit that may be filed against the Company; or (vi) adverse developments in pending or future legal proceedings against the Company or affecting the pharmacy services, retail pharmacy or retail clinic industry or the health care industry generally.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CVS Caremark Corporation

We have reviewed the condensed consolidated balance sheet of CVS Caremark Corporation (the Company) as of March 31, 2014, and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended March 31, 2014 and 2013. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CVS Caremark Corporation as of December 31, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended not presented herein and we expressed an unqualified audit opinion on those consolidated financial statements and included an explanatory paragraph for the Company's election to change its methods of accounting for prescription drug inventories in the Retail Pharmacy Segment effective January 1, 2012 in our report dated February 10, 2014. In our opinion, the accompanying condensed consolidated balance sheet of CVS Caremark Corporation as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

May 2, 2014
Boston, Massachusetts

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview of Our Business

CVS Caremark Corporation ("CVS Caremark", the "Company", "we", "our" or "us"), together with its subsidiaries, is the largest integrated pharmacy health care provider in the United States. We are uniquely positioned to deliver significant benefits to health plan sponsors through effective cost management solutions and innovative programs that engage plan members and promote healthier and more cost-effective behaviors. Our integrated pharmacy services model enhances our ability to offer plan members and consumers expanded choice, greater access and more personalized services to help them on their path to better health. We effectively manage pharmaceutical costs and improve health care outcomes through our pharmacy benefit management, mail service dispensing pharmacy and specialty pharmacy division, CVS Caremark[®] Pharmacy Services ("Caremark"); our more than 7,600 CVS/pharmacy[®] and Drogaria Onofre[®] retail stores; our retail-based health clinic subsidiary, MinuteClinic[®]; and our online retail pharmacies, CVS.com[®] and Onofre.com.br.

We currently have three reportable segments: Pharmacy Services, Retail Pharmacy and Corporate.

Pharmacy Services Segment

Our Pharmacy Services Segment provides a full range of PBM services, including mail service dispensing pharmacy, specialty pharmacy and infusion services, plan design and administration, formulary management, discounted drug purchase arrangements, Medicare Part D services, retail pharmacy network management services, prescription management systems, clinical services and disease management services. Our clients are primarily employers, insurance companies, unions, government employee groups, managed care organizations and other sponsors of health benefit plans and individuals throughout the United States. As a pharmacy benefits manager, we manage the dispensing of pharmaceuticals through our mail service dispensing pharmacies and national network of more than 68,000 retail pharmacies, consisting of over 41,000 chain pharmacies (which includes our CVS/pharmacy stores) and approximately 27,000 independent pharmacies, to eligible members in the benefit plans maintained by our clients and utilize our information systems to perform, among other things, safety checks, drug interaction screenings and brand to generic substitutions.

Our specialty pharmacies support individuals that require complex and expensive drug therapies. Our specialty pharmacy business includes mail order and retail specialty pharmacies that operate under the CVS Caremark[®] and CarePlus CVS/pharmacy[®] names. The Pharmacy Services Segment also provides health management programs, which include integrated condition management program for 17 rare conditions, through our Accordant[®] rare disease management offering. In addition, through our SilverScript[®] Insurance Company subsidiary, we are a national provider of drug benefits to eligible beneficiaries under the Federal Government's Medicare Part D program. The Pharmacy Services Segment operates under the CVS Caremark[®] Pharmacy Services, Caremark[®], CVS Caremark[®], CarePlus CVS/pharmacy[®], RxAmerica[®], Accordant[®], SilverScript[®], Novologix[®] and Coram[®] names. As of March 31, 2014, the Pharmacy Services Segment operated 24 retail specialty pharmacy stores, 11 specialty mail order pharmacies, four mail service dispensing pharmacies, and 84 branches and six centers of excellence for infusion and enteral services located in 40 states, Puerto Rico and the District of Columbia.

Retail Pharmacy Segment

Our Retail Pharmacy Segment sells prescription drugs and a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, photo finishing, seasonal merchandise, greeting cards and convenience foods through our CVS/pharmacy, CVS[®], Longs Drugs[®], and Drogaria Onofre[®] retail stores and online through CVS.com and Onofre.com.br. Our Retail Pharmacy Segment derives the majority of its revenues through the sale of prescription drugs, which are dispensed by our more than 23,500 retail pharmacists. Our Retail Pharmacy Segment also provides health care services through our MinuteClinic health care clinics. MinuteClinics are staffed by nurse practitioners and physician assistants who utilize nationally recognized protocols to diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations. As of March 31, 2014, our Retail Pharmacy Segment included 7,675 retail drugstores (of which 7,615 operated a pharmacy) located in 43 states, the District of Columbia, Puerto Rico and Brazil operating primarily under the CVS/pharmacy[®], CVS[®], Longs Drugs[®], or Drogaria Onofre[®] names, 17 onsite pharmacies, 828 retail health care clinics operating under the MinuteClinic[®] name (of which 820 were located in CVS/pharmacy stores), and our online retail websites, CVS.com and Onofre.com.br.

Corporate Segment

The Corporate Segment provides management and administrative services to support the Company. The Corporate Segment consists of certain aspects of our executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance departments.

Generic Sourcing Venture

In December 2013, we announced the signing of an agreement with Cardinal Health, Inc. ("Cardinal Health") to form a generic pharmaceutical sourcing entity. This entity is expected to be operational as soon as July 1, 2014, and will have an initial term of ten years. Under this arrangement, both companies are contributing their sourcing and supply chain expertise to this entity and are committing to source and negotiate generic pharmaceutical supply contracts for both CVS Caremark and Cardinal Health through the entity.

Results of Operations

The following discussion explains the material changes in our results of operations for the three months ended March 31, 2014 and 2013, and the significant developments affecting our financial condition since December 31, 2013. We strongly recommend that you read our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included as Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K") along with this report.

Summary of the Condensed Consolidated Financial Results:

| <i>In millions</i> | Three Months Ended March 31, | |
|------------------------------------|---------------------------------|-----------|
| | 2014 | 2013 |
| Net revenues | \$ 32,689 | \$ 30,751 |
| Cost of revenues | 26,747 | 25,174 |
| Gross profit | 5,942 | 5,577 |
| Operating expenses | 3,918 | 3,883 |
| Operating profit | 2,024 | 1,694 |
| Interest expense, net | 158 | 126 |
| Income before income tax provision | 1,866 | 1,568 |
| Income tax provision | 737 | 614 |
| Net income | \$ 1,129 | \$ 954 |

Net Revenues

Net revenues increased approximately \$1.9 billion, or 6.3%, in the three months ended March 31, 2014, as compared to the prior year. The increase in the Pharmacy Services Segment was primarily driven by growth in our specialty pharmacy business, including the acquisition of Coram, as well as drug cost inflation, new clients and new products. The increase in the Retail Pharmacy Segment was primarily due to an increase in pharmacy same store sales and revenue from new stores. Net revenues in both periods were negatively impacted by increased generic sales and generic dispensing rates for both the Pharmacy Services and Retail Pharmacy segments. However, the impact in the three months ended March 31, 2014 was lower than in prior year due to a slow down in significant generic drug introductions. Generic prescription drugs typically have a lower selling price than brand name prescription drugs.

Please see the section entitled "Segment Analysis" below for additional information regarding net revenues.

Gross Profit

Gross profit dollars increased \$365 million in the three months ended March 31, 2014, as compared to the prior year. Gross profit as a percentage of net revenues increased approximately 5 basis points to 18.2% in the three months ended March 31,

2014, as compared to the prior year. Both segments benefited from increased pharmacy margins due to the positive impact of increased generic dispensing rates.

Please see the section entitled "Segment Analysis" below for additional information regarding gross profit.

Operating Expenses

Operating expenses increased \$35 million, or 0.9%, in the three months ended March 31, 2014, as compared to the prior year. Operating expenses as a percentage of net revenues decreased approximately 65 basis points to 12.0% in the three months ended March 31, 2014, as compared to 12.6% in the prior year. Operating expenses as a percentage of net revenues decreased for the three months ended March 31, 2014 due to expense leverage from sales growth in both operating segments and slower growth in expenses. The increase in operating expense dollars in the three months ended March 31, 2014, was primarily due to transaction costs associated with the Coram acquisition and incremental weather-related costs and store operating costs associated with operating more stores in our Retail Pharmacy Segment.

Please see the section entitled "Segment Analysis" below for additional information regarding operating expenses.

Interest Expense, net

Interest expense, net, increased \$32 million in the three months ended March 31, 2014, as compared to the prior year. This increase is due to the increase in long-term debt outstanding as a result of the \$4 billion debt issuance that occurred in December 2013.

For additional information on our financing activities, please see the "Liquidity and Capital Resources" section later in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Income Tax Provision

Our effective income tax rate was 39.5% for the three months ended March 31, 2014, compared to 39.1% for the three months ended March 31, 2013. The increase in the effective income tax rate for the three months ended March 31, 2014, was primarily due to certain permanent items.

Segment Analysis

We evaluate the performance of our Pharmacy Services and Retail Pharmacy segments based on net revenue, gross profit and operating profit before the effect of nonrecurring charges and gains and certain intersegment activities. We evaluate the performance of our Corporate Segment based on operating expenses before the effect of nonrecurring charges and gains and certain intersegment activities. The following is a reconciliation of our segments to the condensed consolidated financial statements:

| <i>In millions</i> | Pharmacy Services Segment ⁽¹⁾ | Retail Pharmacy Segment | Corporate Segment | Intersegment Eliminations ⁽²⁾ | Consolidated Totals |
|-------------------------------|--|-------------------------------|----------------------|---|------------------------|
| Three Months Ended | | | | | |
| March 31, 2014: | | | | | |
| Net revenues | \$ 20,195 | \$ 16,480 | \$ — | \$ (3,986) | \$ 32,689 |
| Gross profit | 934 | 5,184 | — | (176) | 5,942 |
| Operating profit (loss) | 640 | 1,750 | (190) | (176) | 2,024 |
| March 31, 2013: | | | | | |
| Net revenues | 18,311 | 16,039 | — | (3,599) | 30,751 |
| Gross profit | 768 | 4,947 | — | (138) | 5,577 |
| Operating profit (loss) | 499 | 1,532 | (199) | (138) | 1,694 |

(1) Net revenues of the Pharmacy Services Segment includes approximately \$2.2 billion of retail co-payments for both of the three months ended March 31, 2014 and 2013.

(2) Intersegment eliminations relate to two types of transaction: (i) Intersegment revenues that occur when Pharmacy Services Segment customers use Retail Pharmacy Segment stores to purchase covered products. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue on a stand-alone basis, and (ii) Intersegment revenues, gross profit and operating profit that occur when Pharmacy Services Segment customers, through the Company's intersegment activities (such as the Maintenance Choice® program), elect to pick-up their maintenance prescriptions at Retail Pharmacy Segment stores instead of receiving them through the mail. When this occurs, both the Pharmacy Services and Retail Pharmacy segments record the revenue, gross profit and operating profit on a standalone basis. The following amounts are eliminated in consolidation in connection with the item (ii) intersegment activity above: net revenues of \$1.1 billion and \$939 million for the three months ended March 31, 2014 and 2013, respectively; and gross profit and operating profit of \$176 million and \$138 million for the three months ended March 31, 2014 and 2013, respectively.

Pharmacy Services Segment

The following table summarizes our Pharmacy Services Segment's performance for the respective periods:

| <i>In millions</i> | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2014 | 2013 |
| Net revenues | \$ 20,195 | \$ 18,311 |
| Gross profit | 934 | 768 |
| Gross profit % of net revenues | 4.6% | 4.2% |
| Operating expenses | 294 | 269 |
| Operating expense % of net revenues | 1.5% | 1.5% |
| Operating profit | 640 | 499 |
| Operating profit % of net revenues | 3.2% | 2.7% |
| Net revenues ⁽¹⁾ : | | |
| Mail choice ⁽²⁾ | \$ 6,834 | \$ 5,869 |
| Pharmacy network ⁽³⁾ | 13,302 | 12,392 |
| Other | 59 | 50 |
| Pharmacy claims processed ⁽¹⁾ : | | |
| Total | 227.8 | 227.6 |
| Mail choice ⁽²⁾ | 19.8 | 20.5 |
| Pharmacy network ⁽³⁾ | 208.0 | 207.1 |
| Generic dispensing rate ⁽¹⁾ : | | |
| Total | 82.4% | 80.5% |
| Mail choice ⁽²⁾ | 78.0% | 75.4% |
| Pharmacy network ⁽³⁾ | 82.8% | 81.0% |
| Mail choice penetration rate | 21.2% | 22.1% |

(1) Pharmacy network net revenues, claims processed and generic dispensing rates do not include Maintenance Choice, which are included within the mail choice category.

(2) Mail choice is defined as claims filled at a Pharmacy Services mail facility, which includes specialty claims, as well as 90-day claims filled at retail pharmacies under the Maintenance Choice program.

(3) Pharmacy network is defined as claims filled at retail pharmacies, including our retail drugstores, but excluding Maintenance Choice activity.

Medicare Part D Update

The Company participates in the Medicare Part D program by (1) providing Medicare Part D-related PBM services to our health plan and other clients that have qualified as Medicare Part D plans, and (2) offering Medicare Part D pharmacy benefits through the Company's own SilverScript prescription drug plan ("PDP"), which offers benefits to individual members and through employer group waiver plans. At the beginning of the 2013 Medicare Part D plan year, the Company implemented an enrollment systems conversion process and other actions to consolidate its Medicare Part D PDPs into the Company's SilverScript PDP. These consolidation efforts impacted certain enrollment and coverage determination services the Company provided to SilverScript enrollees following commencement of the 2013 plan year. Effective January 15, 2013, Centers for Medicare and Medicaid Services ("CMS") imposed intermediate sanctions on the SilverScript PDP, consisting of immediate suspension of further plan enrollment and marketing activities. On December 20, 2013, the Company announced that CMS completed its review of the corrective actions taken to address the enrollment processing and related issues resulting from the Company's plan consolidation efforts and the sanctions were removed. SilverScript began to enroll new choosers with effective dates starting in February as they aged into Medicare. The low income subsidy ("LIS") auto-enrollment and annual reassignment exclusion was lifted on February 21, 2014 and SilverScript began receiving LIS enrollees again with effective dates May 1, 2014 and forward.

Net Revenues

Net revenues increased \$1.9 billion, or 10.3%, to \$20.2 billion in the three months ended March 31, 2014, as compared to the prior year. As you review our Pharmacy Services Segment's performance in this area, we believe you should consider the following important information that impacted the three months ended March 31, 2014:

- Our mail choice claims processed decreased 3.6% to 19.8 million claims in the three months ended March 31, 2014, compared to 20.5 million claims in the prior year. The decrease in the mail choice claims was driven by a decline in traditional mail volumes, which was partially offset by growth in our Maintenance Choice program.
- Our average revenue per mail choice claim increased by 20.8%, compared to the prior year. This increase was primarily due to growth in our specialty pharmacy business and drug cost inflation, partially offset by increases in the percentage of generic prescription drugs dispensed.
- Our mail choice generic dispensing rate increased to 78.0% in the three months ended March 31, 2014, compared to 75.4% in the prior year. This increase was primarily due to our continual effort to encourage plan members to use clinically appropriate generic prescription drugs when they are available and new generic launches.
- Our pharmacy network claims processed increased 0.4% to 208.0 million claims in the three months ended March 31, 2014, compared to 207.1 million claims in the prior year. The increase in the pharmacy network claim volume was primarily due to net new business and growth in Managed Medicaid, partially offset by a decrease in Medicare Part D claims. Medicare Part D claims were negatively impacted by the CMS sanctions in place during 2013 discussed previously in this section.
- Our average revenue per pharmacy network claim processed increased 6.9%, as compared to the prior year. This increase was primarily due to drug cost inflation partially offset by increases in the generic dispensing rate.
- Our pharmacy network generic dispensing rate increased to 82.8% in the three months ended March 31, 2014, compared to 81.0% in the prior year. This increase was primarily due to our continual effort to encourage plan members to use clinically appropriate generic prescription drugs when they are available and new generic launches.

Gross Profit

Gross profit in our Pharmacy Services Segment includes net revenues less cost of revenues. Cost of revenues includes (i) the cost of pharmaceuticals dispensed, either directly through our mail service and specialty retail pharmacies or indirectly through our retail pharmacy networks, (ii) shipping and handling costs and (iii) the operating costs of our mail service dispensing pharmacies, customer service operations and related information technology support.

Gross profit increased \$166 million, or 21.8%, to approximately \$0.9 billion in the three months ended March 31, 2014, as compared to the prior year. Gross profit as a percentage of net revenues increased to 4.6% in the three months ended March 31, 2014, compared to 4.2% in the prior year. The increase in gross profit dollars and the increase in gross profit as a percentage of net revenues were primarily due to an increase in generic dispensing, rebate improvement, as well as the acquisition of Coram in January 2014.

As you review our Pharmacy Services Segment's performance in this area, we believe you should consider the following important information that impacted the three months ended March 31, 2014:

- Our gross profit dollars and gross profit as a percentage of net revenues continued to be impacted by our efforts to (i) retain existing clients, (ii) obtain new business and (iii) maintain or improve the rebates and/or discounts we received from manufacturers, wholesalers and retail pharmacies. In particular, competitive pressures in the PBM industry have caused us and other PBMs to continue to share a larger portion of rebates and/or discounts received from pharmaceutical manufacturers with clients. In addition, market dynamics and regulatory changes have impacted our ability to offer plan sponsors pricing that includes retail network "differential" or "spread." We expect these trends to continue. The "differential" or "spread" is any difference between the drug price charged to plan sponsors, including Medicare Part D plan sponsors, by a PBM and the price paid for the drug by the PBM to the dispensing provider. The increased use of generic drugs has positively impacted our

gross profit margins but has resulted in third party payors augmenting their efforts to reduce reimbursement payments for prescriptions. This trend, which we expect to continue, reduces the benefit we realize from brand to generic product conversions.

- Our gross profit as a percentage of revenues benefited from the increase in our total generic dispensing rate, which increased to 82.4% in the three months ended March 31, 2014 compared to our generic dispensing rate of 80.5% in the prior year. This increase was primarily due to new generic drug introductions and our continual efforts to encourage plan members to use clinically appropriate generic drugs when they are available. We expect the trend in generic introductions to continue, albeit at a slower pace.

Operating Expenses

Operating expenses in our Pharmacy Services Segment include selling, general and administrative expenses; depreciation and amortization related to selling, general and administrative activities; and expenses related to specialty apothecary pharmacies, which includes store and administrative payroll, employee benefits and occupancy costs.

Operating expenses increased \$25 million to \$294 million, or 1.5% as a percentage of net revenues, in the three months ended March 31, 2014, compared to \$269 million, or 1.5% as a percentage of net revenues, in the prior year. The increase in operating expense dollars is primarily related to the acquisition of Coram in January 2014. Operating expenses as a percentage of net revenues remained flat.

Retail Pharmacy Segment

The following table summarizes our Retail Pharmacy Segment's performance for the respective periods:

| <i>In millions</i> | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2014 | 2013 |
| Net revenues | \$ 16,480 | \$ 16,039 |
| Gross profit | 5,184 | 4,947 |
| Gross profit % of net revenues | 31.5 % | 30.8 % |
| Operating expenses | 3,434 | 3,415 |
| Operating expense % of net revenues | 20.8 % | 21.3 % |
| Operating profit | 1,750 | 1,532 |
| Operating profit % of net revenues | 10.6 % | 9.6 % |
| Retail prescriptions filled (90 Day = 3 Rx) ⁽¹⁾ | 227.1 | 221.1 |
| Net revenue increase: | | |
| Total | 2.7 % | 0.1 % |
| Pharmacy | 5.1 % | (1.1)% |
| Front store | (2.4)% | 3.1 % |
| Total prescription volume (90 Day = 3 Rx) ⁽¹⁾ | 2.7 % | 5.5 % |
| Same store increase (decrease): | | |
| Total sales | 1.4 % | (1.2)% |
| Pharmacy sales | 3.8 % | (2.3)% |
| Front store sales | (3.8)% | 1.4 % |
| Prescription volume (90 Day = 3 Rx) ⁽¹⁾ | 2.1 % | 4.6 % |
| Generic dispensing rate | 82.9 % | 81.2 % |
| Pharmacy % of total revenues | 70.5 % | 69.0 % |
| Third party % of pharmacy revenue | 98.3 % | 97.8 % |

- (1) Includes the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

As of March 31, 2014, we operated 7,675 retail drugstores, compared to 7,531 retail drugstores as of March 31, 2013.

Net Revenues

Net revenues increased \$441 million, or 2.7%, to \$16.5 billion in the three months ended March 31, 2014, as compared to the prior year. As you review our Retail Pharmacy Segment's performance in this area, we believe you should consider the following important information that impacted the three months ended March 31, 2014:

- Net revenues from new stores accounted for approximately 100 basis points of the increase in our total net revenues for the three months ended March 31, 2014.
- Front store same store sales decreased by 3.8% for the three months ended March 31, 2014, compared to the prior year. The decrease in front store same store sales is primarily due to a decrease in customer traffic during the quarter related to a less severe flu season than the prior year, extreme weather conditions across much of the United States, and the shift of the Easter holiday from March in 2013 to April in 2014. The shift of the Easter holiday negatively impacted front store same store sales by approximately 80 basis points for the three month ended March 31, 2014.
- Pharmacy same store sales increased 3.8% for the three months ended March 31, 2014, as compared to the prior year. The increase in pharmacy same store sales was primarily due to the increase in same store script growth of 2.1% and brand name drug cost inflation. In addition, pharmacy same store sales were negatively impacted by a lower incidence of flu compared to last year's strong flu season and extreme weather conditions across much of the United States, which led to fewer physician visits and prescriptions written.
- Pharmacy revenues continue to be negatively impacted by the conversion of brand name drugs to equivalent generic drugs, which typically have a lower selling price. Pharmacy same store sales were negatively impacted by approximately 120 basis points for the three months ended March 31, 2014 due to recent generic introductions. The generic dispensing rate grew to 82.9% for the three months ended March 31, 2014, compared to 81.2% in the prior year. In addition, our pharmacy revenue growth has also been affected by the lack of significant new brand name drug introductions and higher consumer co-payments and co-insurance arrangements, as well as, an increase in the number of over-the-counter remedies that were historically only available by prescription.
- Pharmacy revenue growth continued to benefit from the increased utilization by Medicare Part D beneficiaries, our ability to attract and retain managed care customers and favorable industry trends. These trends include an aging American population; many "baby boomers" are now in their fifties and sixties and are consuming a greater number of prescription drugs. In addition, the increased use of pharmaceuticals as the first line of defense for individual health care also contributed to the growing demand for pharmacy services. We believe these favorable industry trends will continue.

Gross Profit

Gross profit in our Retail Pharmacy Segment includes net revenues less the cost of merchandise sold in the period and the related purchasing costs, warehousing costs, delivery costs and actual and estimated inventory losses.

Gross profit increased \$237 million, or 4.8%, to \$5.2 billion in the three months ended March 31, 2014, as compared to the prior year. Gross profit as a percentage of net revenues increased to 31.5% in the three months ended March 31, 2014, compared to 30.8% in the prior year.

The increase in gross profit dollars was primarily driven by increases in generic dispensing rate, same store sales and new store sales. The increase in gross profit as a percentage of net revenues was primarily driven by increased pharmacy margins due to the positive impact of increased generic dispensing rates and increased front store margins, partially offset by continued reimbursement pressure. We expect the trend of new generic introductions to continue, albeit at a slower pace.

As you review our Retail Pharmacy Segment's performance in this area, we believe you should consider the following important

information that impacted the three months ended March 31, 2014:

- During the three months ended March 31, 2014, our front store gross profit as a percentage of net revenues increased compared to the same period in the prior year. The increase for the three months ended March 31, 2014, is primarily related to changes in the mix of products sold and promotional performance.

- Front store revenues as a percentage of total revenues for the three months ended March 31, 2014 was 29.5%, compared to 31.0% in the prior year. On average, our gross profit on front store revenues is higher than our average gross profit on pharmacy revenues. Pharmacy revenues as a percentage of total revenues increased approximately 150 basis points in the three months ended March 31, 2014, compared to the prior year. The negative effect of the sales shift was offset by an increase in the generic drug dispensing rate.
- Sales to customers covered by third party insurance programs are a significant component of our retail pharmacy business. On average, our gross profit rate on third party pharmacy revenues is lower than our gross profit on cash pharmacy revenues. Third party revenues were 98.3% in the three months ended March 31, 2014, compared to 97.8% in the three months ended March 31, 2013.
- Our pharmacy gross profit rates have been adversely affected by the efforts of managed care organizations, pharmacy benefit managers and governmental and other third-party payors to reduce their prescription drug costs. In the event this trend continues, we may not be able to sustain our current rate of revenue growth and gross profit dollars could be adversely impacted.
- The increased use of generic drugs has positively impacted our gross profit but in recent years has resulted in third party payors augmenting their efforts to reduce reimbursement payments to retail pharmacies for prescriptions. This trend, which we expect to continue, reduces the benefit we realize from brand to generic product conversions.

Operating Expenses

Operating expenses in our Retail Pharmacy Segment include store payroll, store employee benefits, occupancy costs, selling expenses, advertising expenses, depreciation and amortization expense and certain administrative expenses.

Operating expenses increased \$19 million to \$3.4 billion, or 20.8% as a percentage of net revenues, in the three months ended March 31, 2014, as compared to \$3.4 billion, or 21.3% as a percentage of net revenues, in the prior year. The increase in operating expenses dollars for the three months ended March 31, 2014, was primarily due to incremental weather-related costs and store operating costs associated with operating more stores. The decrease in operating expenses as a percentage of net revenues for the three months ended March 31, 2014 was primarily driven by continued expense leverage from our same store sales growth.

Corporate Segment

Operating Expenses

Operating expenses in our Corporate Segment include expenses from the Company's executive management, corporate relations, legal, compliance, human resources, corporate information technology and finance related costs. Operating expenses decreased \$9 million, or 4.3%, to \$190 million in the three months ended March 31, 2014, as compared to the prior year. The decrease in operating expenses was primarily related to improvement in expense management.

Liquidity and Capital Resources

We maintain a level of liquidity sufficient to allow us to cover our cash needs in the short-term. Over the long-term, we manage our cash and capital structure to maximize shareholder return, strengthen our financial position and maintain flexibility for future strategic initiatives. We continuously assess our working capital needs, debt and leverage levels, capital expenditure requirements, dividend payouts, potential share repurchases and future investments or acquisitions. We believe our operating cash flows, commercial paper program, sale-leaseback program, as well as any potential future borrowings, will be sufficient to fund these future payments and long-term initiatives.

Net cash provided by operating activities was \$2.2 billion in the three months ended March 31, 2014, compared to \$1.6 billion in the three months ended March 31, 2013. The \$0.6 billion increase in cash provided by operating activities is primarily due to the increase in net income and the timing of payments.

Net cash used in investing activities was approximately \$2.6 billion in the three months ended March 31, 2014, compared to \$0.6 billion in the three months ended March 31, 2013. The increase in cash used in investing activities is primarily due to the \$2.1 billion in cash consideration paid for the acquisition of Coram in January 2014.

Net cash used in financing activities was \$935 million in the three months ended March 31, 2014, compared to net cash used in financing activities of \$897 million in the three months ended March 31, 2013. The \$38 million increase in cash used in financing activities was primarily due to an increase in share repurchases and dividends paid, partially offset by a lack of short-term debt repayment activity in the three months ended March 31, 2014.

On December 17, 2013, the Company's Board of Directors authorized a new share repurchase program for up to \$6.0 billion of outstanding common stock (the "2013 Repurchase Program"). On September 19, 2012, the Company's Board of Directors authorized a share repurchase program for up to \$6.0 billion of outstanding common stock (the "2012 Repurchase Program"). The share repurchase authorizations, each of which was effective immediately, permitted the Company to effect repurchases from time to time through a combination of open market repurchases, privately negotiated transactions, accelerated share repurchase transactions, and/or other derivative transactions. The 2013 and 2012 Repurchase Programs may be modified or terminated by the Board of Directors at any time. During the three months ended March 31, 2014, the Company repurchased an aggregate of 11.0 million shares of common stock for approximately \$0.8 billion pursuant to the 2013 and 2012 Repurchase Programs. As of March 31, 2014, approximately \$5.9 billion remained available for future repurchases under the 2013 Repurchase Program and the 2012 Repurchase Program was complete.

We did not have any outstanding commercial paper as of March 31, 2014. In connection with our commercial paper program, we maintain a \$1.25 billion, four-year unsecured back-up credit facility, which expires on May 23, 2016, a \$1.25 billion, five-year unsecured back-up credit facility, which expires on February 17, 2017, and a \$1.0 billion, five-year unsecured back-up credit facility, which expires on May 23, 2018. The credit facilities allow for borrowings at various rates that are dependent, in part, on the Company's public debt ratings and require the Company to pay a weighted average quarterly facility fee of approximately 0.03%, regardless of usage. As of March 31, 2014, there were no borrowings outstanding under the back-up credit facilities.

Our back-up credit facilities, unsecured senior notes and enhanced capital advantaged preferred securities contain customary restrictive financial and operating covenants. These covenants do not include a requirement for the acceleration of our debt maturities in the event of a downgrade in our credit rating. We do not believe the restrictions contained in these covenants materially affect our financial or operating flexibility.

As of March 31, 2014, our long-term debt was rated "Baa1" by Moody's with a stable outlook and "BBB+" by Standard & Poor's with a stable outlook, and our commercial paper program was rated "P-2" by Moody's and "A-2" by Standard & Poor's. In assessing our credit strength, we believe that both Moody's and Standard & Poor's considered, among other things, our capital structure and financial policies as well as our consolidated balance sheet, our historical acquisition activity and other financial information. Although we currently believe our long-term debt ratings will remain investment grade, we cannot guarantee the future actions of Moody's and/or Standard & Poor's. Our debt ratings have a direct impact on our future borrowing costs, access to capital markets and new store operating lease costs.

Off-Balance Sheet Arrangements

In connection with executing operating leases, we provide a guarantee of the lease payments. We also finance a portion of our new store development through sale-leaseback transactions, which involve selling stores to unrelated parties and then leasing the stores back under leases that generally qualify and are accounted for as operating leases. We do not have any retained or contingent interests in the stores, and we do not provide any guarantees, other than a guarantee of the lease payments, in connection with the transactions. In accordance with accounting principles generally accepted in the United States of America ("GAAP"), such operating leases are not reflected in our condensed consolidated balance sheet. See Note 9 to our condensed consolidated financial statements for a detailed discussion of these guarantees.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with GAAP, which requires management to make certain estimates and apply judgment. We base our estimates and judgments on historical experience, current trends and other factors that management believes to be important at the time the condensed consolidated financial statements are prepared. On a regular basis, we review our accounting policies and how they are applied and disclosed in our condensed consolidated financial statements.

While we believe that the historical experience, current trends and other factors considered support the preparation of our condensed consolidated financial statements in conformity with GAAP, actual results could differ from our estimates and such differences could be material.

For a full description of our other critical accounting policies, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Annual Report on Form 10-K.

Proposed Accounting Standard Update

In May 2013, the Financial Accounting Standards Board issued a revised proposed accounting standard update on lease accounting that will require entities to recognize assets and liabilities arising from lease contracts on the balance sheet. The proposed accounting standard update states that lessees and lessors should apply a "right-of-use model" in accounting for all leases. Under the proposed model, lessees would recognize an asset for the right to use the leased asset, and a liability for the obligation to make rental payments over the lease term. The lease term is defined as the noncancelable term that takes into account renewal options and termination options if it is reasonably certain an entity will exercise or not exercise the option. The accounting by a lessor would reflect its retained exposure to the risks or benefits of the underlying leased asset. A lessor would recognize an asset representing its right to receive lease payments based on the expected term of the lease. The Company cannot presently determine the potential impact the proposed standard would have on its results of operations. While the Company believes that the proposed standard, as currently drafted, will likely have a material impact on its financial position, it will not have a material impact on its liquidity; however, until the proposed standard is finalized, such evaluation cannot be completed.

Cautionary Statement Concerning Forward-Looking Statements

This quarterly report contains forward-looking statements within the meaning of the federal securities laws. In addition, the Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company's filings with the SEC and in its reports to stockholders, press releases, webcasts, conference calls, meetings and other communications. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "project," "anticipate," "will," "should" and similar expressions identify statements that constitute forward-looking statements. All statements addressing operating performance of CVS Caremark Corporation or any subsidiary, events or developments that the Company expects or anticipates will occur in the future, including statements relating to corporate strategy; revenue growth; earnings or earnings per common share growth; adjusted earnings or adjusted earnings per common share growth; free cash flow; debt ratings; inventory levels; inventory turn and loss rates; store development; relocations and new market entries; retail pharmacy business, sales trends and operations; PBM business, sales trends and operations; the Company's ability to attract or retain customers and clients; Medicare Part D competitive bidding, enrollment and operations; new product development; and the impact of industry developments, as well as statements expressing optimism or pessimism about future operating results or events, are forward-looking statements within the meaning of the federal securities laws.

The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our SEC filings, including those set forth in the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2013, and including, but not limited to:

- *Risks relating to the health of the economy in general and in the markets we serve, which could impact consumer purchasing power, preferences and/or spending patterns, drug utilization trends, the financial health of our PBM clients or other payors doing business with the Company and our ability to secure necessary financing, suitable store locations and sale-leaseback transactions on acceptable terms.*
- *Efforts to reduce reimbursement levels and alter health care financing practices, including pressure to reduce reimbursement levels for generic drugs.*
- *The possibility of PBM client loss and/or the failure to win new PBM business, including as a result of failure to win renewal of expiring contracts, contract termination rights that may permit clients to terminate a contract prior to expiration and early or periodic renegotiation of pricing by clients prior to expiration of a contract.*
- *The possibility of loss of Medicare Part D business and/or failure to obtain new Medicare Part D business, whether as a result of the annual Medicare Part D competitive bidding process or otherwise.*
- *Risks related to the frequency and rate of the introduction of generic drugs and brand name prescription products.*
- *Risks of declining gross margins in the PBM industry attributable to increased competitive pressures, increased client demand for lower prices, enhanced service offerings and/or higher service levels and market dynamics and regulatory changes that impact our ability to offer plan sponsors pricing that includes the use of retail "differential" or "spread."*
- *Regulatory changes, business changes and compliance requirements and restrictions that may be imposed by Centers for Medicare and Medicaid Services ("CMS"), Office of Inspector General or other government agencies relating to CVS Caremark's participation in Medicare, Medicaid and other federal and state government-funded programs, including sanctions and remedial actions that may be imposed by CMS on its Medicare Part D business.*
- *Risks and uncertainties related to the timing and scope of reimbursement from Medicare, Medicaid and other government-funded programs, including the impact of sequestration, the impact of other federal budget, debt and deficit negotiations and legislation that could delay or reduce reimbursement from such programs and the impact of any closure,*

suspension or other changes affecting federal or state government funding or operations.

- *Possible changes in industry pricing benchmarks used to establish pricing in many of our PBM client contracts, pharmaceutical purchasing arrangements, retail network contracts, specialty payor agreements and other third party payor contracts.*
- *An extremely competitive business environment, including the uncertain impact of increased consolidation in the PBM industry, uncertainty concerning the ability of our retail pharmacy business to secure and maintain contractual relationships with PBMs and other payors on acceptable terms, uncertainty concerning the ability of our PBM business to secure and maintain competitive access, pricing and other contract terms from retail network pharmacies in an environment where some PBM clients are willing to consider adopting narrow or more restricted retail pharmacy networks.*
- *The Company's ability to fully integrate and to realize the planned benefits associated with the acquisition of Coram LLC in accordance with the expected timing.*
- *The Company's ability to timely identify or effectively respond to changing consumer preferences and spending patterns, an inability to expand the products being purchased by our customers, or the failure or inability to obtain or offer particular categories of products.*
- *Risks relating to our ability to secure timely and sufficient access to the products we sell from our domestic and/or international suppliers.*
- *Reform of the U.S. health care system, including ongoing implementation of the Patient Protection and Affordable Care Act, continuing legislative efforts, regulatory changes and judicial interpretations impacting our health care system and the possibility of shifting political and legislative priorities related to reform of the health care system in the future.*
- *Risks relating to our failure to properly maintain our information technology systems, our information security systems and our infrastructure to support our business and to protect the privacy and security of sensitive customer and business information.*
- *Risks related to compliance with a broad and complex regulatory framework, including compliance with new and existing federal, state and local laws and regulations relating to health care, accounting standards, corporate securities, tax, environmental and other laws and regulations affecting our business.*
- *Risks related to litigation, government investigations and other legal proceedings as they relate to our business, the pharmacy services, retail pharmacy or retail clinic industries or to the health care industry generally.*
- *Other risks and uncertainties detailed from time to time in our filings with the SEC.*

The foregoing list is not exhaustive. There can be no assurance that the Company has correctly identified and appropriately assessed all factors affecting its business. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial also may adversely impact the Company. Should any risks and uncertainties develop into actual events, these developments could have a material adverse effect on the Company's business, financial condition and results of operations. For these reasons, you are cautioned not to place undue reliance on the Company's forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2014, the Company did not have any interest rate, foreign currency exchange rate or commodity derivative instruments in place and believes that as of March 31, 2014 its exposure to interest rate risk (inherent in the Company's debt portfolio), foreign currency exchange rate risk and commodity price risk is not material.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15 (f) and 15d-15(f)) as of March 31, 2014, have concluded that as of such date the Company's disclosure controls and procedures were adequate and effective and designed to provide reasonable assurance that material information relating to the Company and its subsidiaries would be made known to such officers on a timely basis.

Changes in internal control over financial reporting: There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities Exchange Act Rule 13a-15 or Rule 15d-15 that occurred in the three months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1. Legal Proceedings

Certain legal proceedings in which we are involved are discussed in Part I, Item 3 of our 2013 Annual Report on Form 10-K. The following discussion is limited to certain recent developments concerning our legal proceedings and should be read in conjunction with those earlier reports.

1. The Company received a subpoena from the U.S. Securities and Exchange Commission ("SEC") in February 2011 and subsequently received additional subpoenas and other requests for information. The SEC's requests related to, among other things, public disclosures made by the Company during 2009, transactions in the Company's securities by certain officers and employees of the Company during 2009 and the purchase accounting for the Longs Drug Stores acquisition. The Company has cooperated with the SEC and in April 2014 reached a final agreement with the SEC to settle certain allegations that, during the third and fourth quarters of 2009, the Company violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934, including certain anti-fraud provisions of those statutes. The agreement has been entered into by the Company on a "no admit or deny" basis, and the Company is not required to restate its financial statements for any reporting period. The settlement has been approved and entered by the federal court and the matter is now fully concluded. The Company paid a \$20 million civil penalty in April 2014, which was fully reserved in the Company's condensed consolidated financial statements as of March 31, 2014.

In March 2014, the Company received a subpoena from the United States Attorney's Office for the District of Rhode Island, requesting documents and information concerning bona fide service fees and rebates received from certain pharmaceutical manufacturers in connection with certain drugs utilized under Part D of the Medicare Program. The Company has been cooperating with the government and collecting documents in response to the subpoena.

On October 12, 2012, the Drug Enforcement Agency ("DEA") Administrator published its Final Decision and Order revoking the DEA license registrations for dispensing controlled substances at two of our retail pharmacy stores in Sanford, Florida. The license revocations for the two stores formally became effective on November 13, 2012. The pharmacies had voluntarily suspended dispensing controlled substances since April 2012, and have continued operating in that manner in compliance with the DEA Order. The Company has entered into discussions with the U.S. Attorney's Office for the Middle District of Florida concerning civil penalties for violations of the Controlled Substances Act arising from the circumstances underlying the action taken against the two Sanford, Florida stores. The Company is also undergoing several audits by the DEA and is in discussions with the DEA and the U.S. Attorney's Office in several locations. Whether agreements can be reached and on what terms is uncertain.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Stock Repurchases

The following table presents the total number of shares purchased in the three months ended March 31, 2014, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the applicable fiscal period, pursuant to the 2013 and 2012 Repurchase Programs. See Note 4 to the condensed consolidated financial statements.

| Fiscal Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|--|------------------------------------|--|--|
| January 1, 2014 through January 31, 2014 | — | \$ — | — | \$ 6,692,873,727 |
| February 1, 2014 through February 28, 2014 | 2,761,700 | \$ 70.31 | 2,761,700 | \$ 6,498,698,698 |
| March 1, 2014 through March 31, 2014 | 8,254,000 | \$ 73.49 | 8,254,000 | \$ 5,892,096,107 |
| Totals | 11,015,700 | | 11,015,700 | |

Item 6. Exhibits

Exhibits:

Exhibits marked with an asterisk (*) are hereby incorporated by reference to exhibits or appendices previously filed by the Registrant as indicated in brackets following the description of the exhibit.

- 3.1* Amended and Restated Certificate of Incorporation of the Registrant [incorporated by reference to Exhibit 3.1 of CVS Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 001-01011)].
- 3.1A* Certificate of Amendment to the Amended and Restated Certificate of Incorporation, effective May 13, 1998 [incorporated by reference to Exhibit 4.1A to Registrant's Registration Statement No. 333-52055 on Form S-3/A dated May 18, 1998 (Commission File No. 001-01001)].
- 3.1B* Certificate of Amendment to the Amended and Restated Certificate of Incorporation [incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K dated March 22, 2007 (Commission File No. 001-01011)].
- 3.1C* Certificate of Merger dated May 9, 2007 [incorporated by reference to Exhibit 3.1C to Registrant's Quarterly Report on Form 10-Q dated November 1, 2007 (Commission File No. 001-01011)].
- 3.1D* Certificate of Amendment to the Amended and Restated Certificate of Incorporation [incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 13, 2010 (Commission File No. 001-01011)].
- 3.1E* Certificate of Amendment to the Amended and Restated Certificate of Incorporation [incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 10, 2012 (Commission File No. 001-01011)].
- 1F* Certificate of Amendment to the Amended and Restated Certificate of Incorporation [incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 13, 2013 (Commission File No. 001-01011)].
- 3.2* By-laws of the Registrant, as amended and restated [incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 9, 2014 (Commission File No. 001-01011)].
- 1 Letter re: Unaudited Interim Financial Information.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 101 The following materials from the CVS Caremark Corporation Quarterly Report on Form 10-Q for the three months ended March 31, 2014 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related Footnotes to the Condensed Consolidated Financial Statements.

Signatures:

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

CVS Caremark Corporation
(Registrant)

/s/ David M. Denton

David M. Denton
Executive Vice President and
Chief Financial Officer
May 2, 2014

Letter re: Unaudited Interim Financial Information

May 2, 2014

The Board of Directors and Shareholders:
CVS Caremark Corporation

We are aware of the incorporation by reference in the Registration Statements (Nos. 333-49407, 333-34927, 333-28043, 333-91253, 333-63664, 333-139470, 333-141481 and 333-167746 on Form S-8 and 333-165672 on Form S-3) of CVS Caremark Corporation of our report dated May 2, 2014 relating to the unaudited condensed consolidated interim financial statements of CVS Caremark Corporation that are included in its Form 10-Q for the quarter ended March 31, 2014.

/s/ Ernst & Young LLP

Boston, Massachusetts

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Larry J. Merlo, President and Chief Executive Officer of CVS Caremark Corporation, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of CVS Caremark Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2014

By: /s/ Larry J. Merlo
Larry J. Merlo
President and Chief Executive
Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David M. Denton, Executive Vice President and Chief Financial Officer of CVS Caremark Corporation, certify that:

1 I have reviewed this quarterly report on Form 10-Q of CVS Caremark Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2014

By: /s/ David M. Denton
David M. Denton
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report of CVS Caremark Corporation (the "Company") on Form 10-Q for the period ended March 31, 2014 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Larry J. Merlo, President and Chief Executive Officer of the Company, certify that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 2, 2014

/s/ Larry J. Merlo

Larry J. Merlo
President and Chief Executive
Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Quarterly Report of CVS Caremark Corporation (the "Company") on Form 10-Q for the period ended March 31, 2014 (the "Report"), for the purpose of complying with Rule 13(a)-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, David M. Denton, Executive Vice President and Chief Financial Officer of the Company, certify that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 2, 2014

/s/ David M. Denton

David M. Denton
Executive Vice President and
Chief Financial Officer

ATTACHMENT, SECTION C,
ECONOMIC FEASIBILITY, ITEM 4

CORAM ALTERNATE SITE SERVICES, INC.

**FORECASTED UTILIZATION AND FINANCIAL
PERFORMANCE – EXISTING LICENSED PHARMACY**

PROJECTED DATA CHART -- EXISTING MEMPHIS OPERATIONS

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in: January (month)

BUDGET BEFORE PROJECT

| Year | | Year One | Year Two |
|--|---|-----------------------|--------------------|
| A Utilization Data | | | |
| | Patients | Infusion Patients | 911 |
| | Patient Months | Infusion Pt Months | 1,804 |
| | Patients | Home Health Patients | 0 |
| | Nursing Visits | Home Health RN Visits | 0 |
| B Revenue from Services to Patients | | | |
| 1 | Inpatient Services | | |
| 2 | Outpatient Services | \$6,193,902 | \$6,813,292 |
| 3 | Emergency Services | | |
| 4 | Other Operating Revenue | | |
| | Gross Operating Revenue | \$6,193,902 | \$6,813,292 |
| C Deductions from Gross Operating Revenue | | | |
| 1 | Contractual Adjustments | | |
| 2 | Provision for Charity Care | \$61,326 | \$67,459 |
| 3 | Provisions for Bad Debt | \$184,558 | \$203,014 |
| | Total Deductions | \$245,884 | \$270,472 |
| NET OPERATING REVENUE | | \$5,948,018 | \$6,542,820 |
| D Operating Expenses | | | |
| 1 | Salaries and Wages | \$1,433,675 | \$1,548,369 |
| | Benefits | \$182,466 | \$197,063 |
| 2 | Physician Salaries and Wages | \$0 | \$0 |
| 3 | Supplies | \$27,779 | \$30,001 |
| 4 | Taxes | \$17,810 | \$19,235 |
| 5 | Depreciation | \$12,827 | \$13,853 |
| 6 | Rent | \$106,880 | \$111,155 |
| 7 | Interest, Other than Capital | \$0 | \$0 |
| 8 | Management Fees: | | |
| | a. Fees to Affiliates | \$0 | \$0 |
| | b. Fees to Non-Affiliates | \$0 | \$0 |
| P | Other Expenses Specify in chart | \$4,059,470 | \$4,462,135 |
| | Total Operating Expenses | \$5,840,907 | \$6,381,812 |
| E | Other Revenue (Expenses - Net (Specify) | | |
| NET OPERATING INCOME (LOSS) | | \$107,111 | \$161,008 |
| F Capital Expenditures | | | |
| 1 | Retirement of Principal | | |
| 2 | Interest | | |
| | Total Capital Expenditures | \$0 | \$0 |
| NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES | | \$107,111 | \$161,008 |

Attachment

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSE CATEGORIES

| | | | |
|---|---|-------------|-------------|
| 1 | Drugs/Materials | \$3,809,993 | \$4,190,992 |
| 2 | Shipping/Delivery | \$85,396 | \$93,936 |
| 3 | Travel/Lodging | \$32,031 | \$34,593 |
| 4 | Operational Costs: Utilities, Telephone, Professional Fees, and Other Administrative Costs | \$132,050 | \$142,614 |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| | Total Other Expenses | \$4,059,470 | \$4,462,135 |

Attachment

PROJECTED DATA CHART --EXISTING BUSINESS PLUS NEW BUSINESS

WEST TENNESSEE (MEMPHIS BRANCH)

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in: (month)

Year

| Year One | Year Two |
|----------|----------|
|----------|----------|

A Utilization Data

| | | | |
|-----------------------|-----------------------|-------|-------|
| Patients | Infusion Patients | 911 | 1,002 |
| Patient Months | Infusion Pt Months | 1,804 | 1,984 |
| Patients | Home Health Patients | 207 | 228 |
| Nursing Visits | Home Health RN Visits | 1,775 | 1,952 |

B Revenue from Services to Patients

| | | |
|--------------------------------|--------------------|--------------------|
| 1 Inpatient Services | \$0 | \$0 |
| 2 Outpatient Services | \$6,459,445 | \$7,119,995 |
| 3 Emergency Services | \$0 | \$0 |
| 4 Other Operating Revenue | \$0 | \$0 |
| Gross Operating Revenue | \$6,459,445 | \$7,119,995 |

C Deductions from Gross Operating Revenue

| | | |
|------------------------------|------------------|------------------|
| 1 Contractual Adjustments | \$10,622 | \$12,268 |
| 2 Provision for Charity Care | \$74,603 | \$82,794 |
| 3 Provisions for Bad Debt | \$189,869 | \$209,148 |
| Total Deductions | \$275,094 | \$304,210 |

NET OPERATING REVENUE

| | |
|-------------|-------------|
| \$6,184,351 | \$6,815,785 |
|-------------|-------------|

D Operating Expenses

| | | |
|--------------------------------|-------------|-------------|
| 1 Salaries and Wages | \$1,593,715 | \$1,729,694 |
| Benefits | \$214,474 | \$233,328 |
| 2 Physician Salaries and Wages | \$0 | \$0 |
| 3 Supplies | \$34,878 | \$37,811 |
| 4 Taxes | \$17,810 | \$19,235 |
| 5 Depreciation | \$12,827 | \$13,853 |
| 6 Rent | \$106,880 | \$111,155 |
| 7 Interest, Other than Capital | \$0 | \$0 |
| 8 Management Fees: | | |
| a. Fees to Affiliates | \$0 | \$0 |
| b. Fees to Non-Affiliates | \$0 | \$0 |

P Other Expenses Specify in chart

| | |
|-------------|-------------|
| \$4,096,174 | \$4,505,087 |
|-------------|-------------|

Total Operating Expenses

| | |
|-------------|-------------|
| \$6,076,758 | \$6,650,163 |
|-------------|-------------|

E Other Revenue (Expenses - Net (Specify))

| | |
|--|--|
| | |
|--|--|

NET OPERATING INCOME (LOSS)

| | |
|-----------|-----------|
| \$107,593 | \$165,622 |
|-----------|-----------|

F Capital Expenditures

| | | |
|---------------------------|--|--|
| 1 Retirement of Principal | | |
| 2 Interest | | |

Total Capital Expenditures

| | |
|-----|-----|
| \$0 | \$0 |
|-----|-----|

NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES

| | |
|-----------|-----------|
| \$107,593 | \$165,622 |
|-----------|-----------|

Attachment

PROJECTED DATA CHART - OTHER EXPENSES

OTHER EXPENSE CATEGORIES

| | | | |
|---|---|-------------|-------------|
| 1 | Drugs/Materials | \$3,809,993 | \$4,190,992 |
| 2 | Shipping/Delivery | \$85,396 | \$93,936 |
| 3 | Travel/Lodging | \$32,031 | \$34,593 |
| 4 | Operational Costs: Utilities, Telephone, Professional Fees, and Other | \$132,050 | \$142,614 |
| 5 | Mileage | \$36,704 | \$42,951 |
| 6 | | | |
| 7 | Total Other Expenses | \$4,096,174 | \$4,405,086 |

Attachment

ATTACHMENT, SECTION C,
CONTRIBUTION TO ORDERLY DEVELOPMENT,
ITEM 7(b)

CORAM ALTERNATE SITE SERVICES, INC.

JOINT COMMISSION LETTER



August 5, 2013

Ruth Ann Ellison
Vice President Clinical Regulatory Compliance
Apria Healthcare, Inc
26220 Enterprise Court
Lake Forest, California 92630

HCO ID: #439173

Dear Ms. Ellison:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual noted below:

- Comprehensive Accreditation Manual for Home Care

This accreditation cycle is effective beginning May 11, 2013. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Services provided by your organization: Home Health, Ambulatory Infusion, Pharmacy Dispensing, and/or Clinical Consultant Pharmacist Services.
Sites accredited:

Coram Healthcare Corporation of Alabama, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 300 Riverhills Business Park Suite 390, Birmingham, AL 35242
Coram Alternate Site Services, Inc., 1519 S Bowman Road Suite C, Little Rock, AR 72211
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4310 East Cotton Center Blvd Suite 110, Phoenix, AZ 85040
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 6375 East Tanque Verde Road Suite 50, Tucson, AZ 85715
Kern Home Health Resources dba Coram Healthcare, 3101 Sillect Avenue Suite 109, Bakersfield, CA 93308
Coram Healthcare Corporation of Southern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 5571 Ekwil Street Suite A- B, Goleta, CA 93111
Coram Healthcare Corporation of Northern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 3160 Corporate Place, Hayward, CA 94545
Coram Healthcare Corporation of Southern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2710 Media Center Drive Bldg #6 Ste 150, Los Angeles, CA 90065
Coram Healthcare Corporation of Southern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4355 East Lowell Street Suite C, Ontario, CA 91761

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice



Coram Healthcare Corporation of Northern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 9332 Tech Center Drive Suite 100, Sacramento, CA 95826
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 12310 World Trade Drive Suite 100, San Diego, CA 92128
Coram Healthcare Corporation of Northern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company 1635 Divisadero Suite 135 San Francisco, CA 94115
Coram Healthcare Corporation of Southern California, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 3002 Dow Avenue Suite 104, Tustin, CA 92780
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 12450 East Arapahoe Road Suite A1, Centennial, CO 80112
Coram Clinical Trials, Inc., 555 17th Street Suite 1500, Denver, CO 80202
Coram LLC 555 17th Street Suite 1500, Denver, CO 80202
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2 Barnes Industrial Park Road South Suite A, Wallingford, CT 06492
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 9143 Philips Highway Suite 300, Jacksonville, FL 32256
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 555 Winderley Place Suite 300, Maitland, FL 32751
Coram Healthcare Corporation of Southern Florida, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 11948-50 Miramar Parkway, Miramar, FL 33025
Coram Healthcare Corporation of Florida, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 8508 Benjamin Road Suite C Tampa, FL 33634
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 3416 Jenks Avenue Suite A, Panama City, FL 32405
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 3439 North 12th Avenue Suite A & B, Pensacola, FL 32503
Coram Alternate Site Services, Inc. dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1 NE 1st Avenue Suite 202, Ocala, FL 34470
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2140 New Market Parkway Suite 106, Marietta, GA 30067
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 3513 Vine Court, Davenport, IA 52806
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 11660 West Executive Drive, Boise, ID 83713
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2022 Glen Park Drive, Champaign, IL 61821
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1471 Business Center Drive Suite 500, Mount Prospect, IL 60056
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 11711 North College Avenue Suite 125, Carmel, IN 46032-5601
Coram Healthcare Corporation of Indiana, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1290 Arrowhead Court Suite A, Crown Point, IN 46307
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 431 Fernhill Avenue, Fort Wayne, IN 46805
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 8013 Flint Street, Lenexa, KS 66214
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 8201 East 34th Street Circle North Suite 905, Wichita, KS 67226
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 115 James Drive West Suite 100, St. Rose, LA 70087
Coram Healthcare Corporation of Massachusetts, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 575 University Avenue Suite 2, Norwood, MA 02062
Coram Healthcare Corporation of Greater D.C., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 7150 Columbia Gateway Drive Suite E, Columbia, MD 21046

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Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 12 Northbrook Drive, Building B, Suite #1, Falmouth, ME 04105
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4334 Brockton Drive SE Suite D, Kentwood, MI 49512
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 28550 Cabot Drive Suite 200, Novi, MI 48377
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2345 Waters Drive, Mendota Heights, MN 55120
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services an Apria Healthcare Company, 2901 Frontage Road South 10 Highway East Suite 7, Moorhead, MN 56560
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2900 Falling Leaf Lane Suite 101, Columbia, MO 65201
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 8248 Lackland Road Suite 101, St Louis, MO 63114
Coram Healthcare Corporation of Mississippi, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2929 Layfair Drive Suite 100, Flowood, MS 39232
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 30 Garfield Street Suite B, Asheville, NC 28803
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 9401-J Southern Pine Blvd, Charlotte, NC 28273
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 507 Airport Blvd Suite 100, Morrisville, NC 27560
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 11111 Mill Valley Road, Omaha, NE 68154
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 11 H Commerce Way, Totowa, NJ 07512
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 7400 Washington Street NE, Albuquerque, NM 87109
Coram Healthcare Corporation of Nevada, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1951 Ramrod Avenue Suite 110, Henderson, NV 89014
Coram Healthcare Corporation of Nevada, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 101 North Pecos Road Suite 106, Las Vegas, NV 89101
Coram Healthcare Corporation of Nevada, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 6490 South McCarran Blvd Suite 29, Reno, NV 89509
Coram Healthcare Corporation of Greater New York, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 12 Jupiter Lane, Albany, NY 12205
Coram Healthcare Corporation of Greater New York, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 375 North French Road Suite 108, Amherst, NY 14228
Coram Healthcare Corporation of Greater New York, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 744 Ulster Avenue Suite #1, Kingston, NY 12401
Coram Healthcare Corporation of Greater New York, 45 South Service Road, Plainview, NY 11803
Coram Healthcare Corporation of Greater New York, 97 -77 Queens Blvd Suite 1100, Rego Park, NY 11374
Coram Healthcare Corporation of Greater New York, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2949 Erie Blvd East Suite 103, Syracuse, NY 13224
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4060 Business Park Drive Suite 101, Columbus, OH 43204-5023
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4305 Mulhauser Road Suite 1, Fairfield, OH 45014
Coram Alternate Site Services, Inc., dba Toledo IV Care, 4060 Technology Drive, Maumee, OH 43537
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 6565 Davis Industrial Parkway Suite AA, Solon, OH 44139
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 235 North MacArthur Boulevard Suite 100, Oklahoma City, OK 73127

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Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 220 Executive Drive Suite 500, Cranberry Township, PA 16066
CoramRX, LLC, 4 Spring Mill Drive, Malvern, PA 19355
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 6 Spring Mill Drive, Malvern, PA 19355
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 155 N Donnerville Rd Ste 1, Mountville, PA 17554
Coram Healthcare Corporation of Massachusetts, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1240 Pawtucket Avenue, East Providence, RI 02916
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 5955 Core Ave Suite 512, North Charleston, SC 29406
Coram Healthcare/Carolina Home Therapeutics, 720 Gracern Road Suite 123, Columbia, SC 29210
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1828 Midpark Rd Ste D, Knoxville, TN 37921
Coram Alternate Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1680 Century Center Parkway Suite 12, Memphis, TN 38134
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 2970 Sidco Drive, Nashville, TN 37204
Coram Alternate Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 1905-A Kramer Lane Suite 500, Austin, TX 78758
Coram Healthcare Corporation of North Texas, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 10105 Technology Blvd West Suite 102, Dallas, TX 75220
Coram Alternate Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 7365 Remcon Circle Suite A-102, El Paso, TX 79912
Coram Alternate Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 10611 South Sam Houston Parkway West Suite 200, Houston, TX 77071
Coram Alternate Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 10118 Huebner Road, San Antonio, TX 78240
Coram Healthcare Corporation of Utah, dba Coram Specialty Infusion Services, an Apria Healthcare Company, 120 West Vine Street Suite 140, Murray, UT 84107
Coram Healthcare Corporation of Greater D.C., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 4115 Pleasant Valley Road Suite 200, Chantilly, VA 20151
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 14935 NE 87th Street Suite 101, Redmond, WA 98052
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 720 Olive Way Suite 815, Seattle, WA 98101-1836
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 520 E. North Foothills Drive Suite 400, Spokane, WA 99207
Coram Alternate Site Services, Inc., dba Coram Specialty Infusion Services, an Apria Healthcare Company, 5345 South Moorland Road Suite 101, New Berlin, WI 53151

Please be assured that the Joint Commission will keep the report confidential, except as required by law. To ensure that the Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision. Please visit Quality Check® on the Joint Commission web site for updated information related to your accreditation decision.

www.jointcommission.org

Headquarters

One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice



If I can be of further assistance I can be reached at (630) 792-5732.

Sincerely,

Kenneth M. Gauss

Kenneth M. Gauss
Senior Account Executive, Team 3
Accreditation and Certification Operations

cc: Correspondence File

ATTACHMENT, SECTION C,
CONTRIBUTION TO ORDERLY DEVELOPMENT,
ITEM 7(d)

CORAM ALTERNATE SITE SERVICES, INC.

**MOST RECENT INSPECTION OF THE
MEMPHIS BRANCH**



DEPARTMENT OF HEALTH
TENNESSEE BOARD OF PHARMACY
COMMUNITY INSPECTION
COMPLIANCE INSPECTION

PHARMACY
Carroll A. Hurd 20 S. 4th Street
STREET
1680 Century Center Parkway S.
CITY
Memphis ZIP
38134
DATE OPENED
1988 TELEPHONE NO.
(901) 386-3738
LICENSE NO.
2058 EXPIRY DATE
6-30-2013
DEA NO.
BC 01455247 EXPIRY DATE
8-31-2014
PHARMACIST IN CHARGE/Duty
Susan Aronow White LIC NO.
10585 EXPIRY DATE
7-31-2014

| Compliance | | PERSONNEL |
|-------------------------------------|--------------------------|---|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. Appropriate identification/Name Tags |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. D. Ph./Tech ration |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. Personnel/apparel clean |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. Tech registry & Affidavit |

| Compliance | | PHYSICAL REQUIREMENTS |
|-------------------------------------|--------------------------|---|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. Certificates Displayed |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. RX Dept. - Sufficient Space/Counseling |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. Fully enclosed when applicable |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. Key Lockable/Key Control |

| Compliance | | DRUGS AND EQUIPMENT |
|-------------------------------------|--------------------------|--|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. Dispensing area clean, orderly, well lighted |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. Sink, hot and cold water |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. Refrigeration |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. References, periodicals |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. Vials and closures (child-proof) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. Shelves and drug stock clean |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. Drugs in-date |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 16. Labels correct on repackaging |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 17. Legend drugs stored in RX Dept. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 18. Syringes/insulin, restricted products non-accessible |

Pharmacy Hours *M-F 8-5*

| Inspected by <i>Scott Donahue</i> | | Date <i>11-26-2012</i> |
|---|--|-------------------------------------|
| This Inspection | <input type="checkbox"/> Opening | <input type="checkbox"/> Relocation |
| Satisfactory | <input type="checkbox"/> New Ownership | <input type="checkbox"/> Follow-up |
| Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | <input type="checkbox"/> Counseling Compliance | <input type="checkbox"/> Remodeling |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> Periodic | <input type="checkbox"/> |
| <input checked="" type="checkbox"/> | 19. RXs numerically filed | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> All C's together <input type="checkbox"/> C-11's separate <input type="checkbox"/> Multiple file method | |
| <input checked="" type="checkbox"/> | 20. Patients identifiable | |
| <input checked="" type="checkbox"/> | 21. Prescribers identifiable | |
| <input checked="" type="checkbox"/> | 22. New verbal RXs initiated by appropriate personnel | |
| <input checked="" type="checkbox"/> | 23. Date of original dispensing | |
| <input checked="" type="checkbox"/> | 24. Initials of dispensing D.Ph. | |
| <input checked="" type="checkbox"/> | 25. Quantity dispensed indicated | |
| <input checked="" type="checkbox"/> | 26. Appropriate Emergency C-11 RXs | |
| <input checked="" type="checkbox"/> | 27. Computer labels applied appropriately to RXs | |
| <input checked="" type="checkbox"/> | 28. Pharmacist Signature Log | |
| <input checked="" type="checkbox"/> | 29. Daily Print Out | |

| Compliance | | DRUG PRODUCT SUBSTITUTION |
|-------------------------------------|--------------------------|--|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 30. Authorization documented on Rx |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 31. Manufacturer indicated on Rx or System |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 32. Approved products used |

| Compliance | | PATIENT COUNSELING |
|-------------------------------------|--------------------------|-----------------------------|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 33. Patient profiles |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 34. Drug Utilization Review |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 35. Patient Counseling |

| Compliance | | CONTROLLED SUBSTANCE RECORDS |
|-------------------------------------|--------------------------|---|
| Yes | No | |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 36. Readily retrievable |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 37. All C-11 records separate |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 38. DEA Form 222 Copy 3 on hand & completed |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 39. Drug Receipt date on invoices |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 40. Record of drug transfers |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 41. <input type="checkbox"/> Schedule V sales record book |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> Methamphetamine Sales Log |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 42. Last DEA Inventory (date) <i>12-31-2011</i> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 42. Last Theft/loss report (date) <i>11-26-2012</i> |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 43. Access to Control Substance Monitoring Database |

ITEMS TO BE CORRECTED:

RESPONSE REQUIRED

YES ☐

NO ☒

Immediately

Needs Improvement

Within 30 Days

Remarks or Recommendations:

E. Hurd 3-Brothers 1-Hard Pass 10/22/2012 by Randy Myers
All C-11s have to be inspected as of 1/1/13 for compliance
Prescribers must prepare RX for controls see 2008-13-28-05

Pharmacist Signature

hereby acknowledge and understand all notations made on this report; and confirm that

I will notify the Board of Pharmacy within 30 days, in writing, of the correction of all deficiencies. (If noted.)

June 13, 2014

Tennessee Health Services and Development Agency
Andrew Jackson State Office Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Coram Alternate Site Service, Inc. d/b/a Coram CVS/Specialty Infusion Service

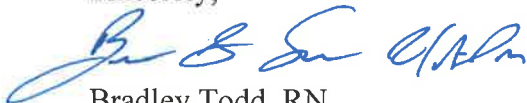
To Whom it May Concern:

I am writing on behalf of Tennessee Quality Homecare Northwest to express its opposition to the certificate of need application of Coram CVS/Specialty Infusion Services to add a limited service home health agency to provide and administer home infusion products and related infusion nursing services.

The reference certificate of need application does not meet the requirements of need, economic feasibility and contribution to the development of health care services. Tennessee Quality Homecare Northwest services the following counties: Benton, Carroll, Decatur, Gibson, Henderson, Henry, Houston, Madison, Obion, Perry, Stewart, and Weakley. Tennessee Quality Homecare Northwest could easily accommodate the patients that required nursing services related to infusion nursing.

Representatives of Tennessee Quality Homecare Northwest intend to be present during the Agency's consideration of this matter, in order to express its concerns in more detail.

Sincerely,



Bradley Todd, RN
Administrator
Tennessee Quality Homecare

cc: Jeff Parrish, General Counsel Tennessee Health Management
Trent Presley, Vice President of Operations Tennessee Quality Homecare



Home Health Services
Hospice Services
Private Duty Services

June 13, 2014

Tennessee Health Services and Development Agency
Andrew Jackson State Office Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Coram Alternate Site Service, Inc. d/b/a Coram CVS/Specialty Infusion Service

To Whom it May Concern:

I am writing on behalf of Tennessee Quality Homecare Southwest to express its opposition to the certificate of need application of Coram CVS/Specialty Infusion Services to add a limited service home health agency to provide and administer home infusion products and related infusion nursing services.

The reference certificate of need application does not meet the requirements of need, economic feasibility and contribution to the development of health care services. Tennessee Quality Homecare Southwest services the following counties: Benton, Chester, Decatur, Hardin, Henderson, Madison, McNairy, Perry, Wayne. Tennessee Quality Homecare Southwest could easily accommodate the patients that required nursing services related to infusion nursing.

Representatives of Tennessee Quality Homecare Southwest intend to be present during the Agency's consideration of this matter, in order to express its concerns in more detail.

Sincerely,

Samantha Lineberry, RN
Administrator
Tennessee Quality Homecare

cc: Jeff Parrish, General Counsel Tennessee Health Management
Trent Presley, Vice President of Operations Tennessee Quality Homecare



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the see ATTACHMENT A which is a newspaper
of general circulation in see ATTACHMENT B, Tennessee, on or before June 3, 4, 5, 2014
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in
accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,
that:

Coram Alternate Site Services, Inc. d/b/a Coram CVS/specialty Infusion Services Home health agency
(Name of Applicant) (Facility Type-Existing)
owned by: CVS Caremark Corporation with an ownership type of for profit
and to be managed by: self-managed intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]: see ATTACHMENT C

The anticipated date of filing the application is: June 6, 2014

The contact person for this project is Alix Coulter Cross Attorney
(Contact Name) (Title)
who may be reached at: Harwell Howard Hyne Gabbert & Manner, PC 333 Commerce Street, Suite 1500
(Company Name) (Address)
Nashville TN 37201 615 / 256-0500
(City) (State) (Zip Code) (Area Code / Phone Number)
Alix Coulter Cross 6/3/14 alix.cross@h3gm.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be **filed in triplicate and received between the first and the tenth day of the month**. If the
last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File
this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health
care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and
Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development
Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the
application must file written objection with the Health Services and Development Agency at or prior to the consideration of
the application by the Agency.

ATTACHMENT A

| Newspaper of General Circulation | Date of Publication |
|----------------------------------|---------------------|
| Brownsville States-Graphic | 5th |
| Buffalo River Review | 4th |
| Carroll County News - Leader | 4th |
| Chester County Independent | 5th |
| Crockett County Times | 4th |
| Dresden Enterprise | 4th |
| Dyersburg State Gazette | 5th |
| Humboldt Chronicle | 4th |
| Lake County Banner Inc. | 4th |
| The Camden Chronicle | 5th |
| The Commercial Appeal | 4th |
| The Courier | 5th |
| The Independent Appeal | 4th |
| The Jackson Sun | 5th |
| The Lauderdale County Enterprise | 5th |
| The Leader | 5th |
| The Lexington Progress | 4th |
| The News Leader | 4th |
| The Paris Post-Intelligencer | 4th |
| The Stewart-Houston Times | 3rd |
| The Union City Daily Messenger | 4th |
| Wayne County News | 4th |
| | |

ATTACHMENT B

| County |
|------------|
| Benton |
| Carroll |
| Chester |
| Crockett |
| Decatur |
| Dyer |
| Fayette |
| Gibson |
| Hardeman |
| Hardin |
| Haywood |
| Henderson |
| Henry |
| Houston |
| Lake |
| Lauderdale |
| Madison |
| McNairy |
| Obion |
| Perry |
| Shelby |
| Stewart |
| Tipton |
| Wayne |
| Weakley |

ATTACHMENT C

To provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

PUBLICATION OF INTENT

The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services Home health agency

(Name of Applicant) (Facility Type-Existing)

owned by: CVS Caremark Corporation with an ownership type of for profit

and to be managed by: self-managed intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]: see attached

The anticipated date of filing the application is: June 6, 2014

The contact person for this project is Alix Coulter Cross Attorney
(Contact Name) (Title)

who may be reached at: Harwell Howard Hyne Gabbert & Manner, PC 333 Commerce Street, Suite 1500
(Company Name) (Address)
Nashville TN 37201 615 / 256-0500
(City) (State) (Zip Code) (Area Code / Phone Number)

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 *et seq.*, and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

SUPPLEMENTAL-#3

-Copy-

CORAM Infusion Services M

CN1406-018



333 commerce street, suite 1500
nashville, tennessee 37201
phone: 615.256.0500 fax: 615.251.1059
h3gm.com

SUPPLEMENTAL #3

June 30, 2014

12 :54 pm

June 30, 2014

VIA HAND DELIVERY

Phillip M. Earhart
HSD Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1406-018
Supplemental Information

Dear Mr. Earhart:

Enclosed are the original affidavits of publication from The Lauderdale County Enterprise, The Dresden Enterprise and The Leader to be filed with the above mentioned Certificate of Need application. Thank you.

Sincerely,

HARWELL HOWARD HYNE
GABBERT & MANNER, P.C.

A handwritten signature in black ink, which appears to read "Michelle R. Anderson", is written over the typed name.

Michelle R. Anderson
Paralegal

mra

June 30, 2014

12 :54 pm

THE LAUDERDALE COUNTY ENTERPRISE
Ripley, Tennessee 38063

Ripley, Tenn., 6/6, 2014

I, Terry Ford, hereby make oath that the attached publication appeared in
The Lauderdale County Enterprise for 1 consecutive weeks, in issues of _____
June 5, 2014

TERRY FORD, Owner.

Per Angela Hunter

Printer's Fee \$ 75.60 paid



Sworn to and subscribed before me, this 6th

day of June, 2014

My commission expires Oct. 18, 2014

Carolyn Seaton

June 30, 2014

12:54 pm

THE LAUDERDALE COUNTY ENTERPRISE, RIPLEY, TENNESSEE, JUNE 5, 2014

www.micromoreauction.com

of said debt; and
 HEREAS, the undersigned,
 Lublin TN, PLLC, having been
 ted as Substitute Trustee by
 22-41
 ment to be filed for record in
 egister's Office of Lauderdale
 y, Tennessee.

OW, THEREFORE, notice is
 y given that the entire indebted-
 has been declared due and pay-
 and that the undersigned, Rubin
 TN, PLLC, as Substitute Trust-
 his duly appointed agent, by vir-
 f the power, duty and authority
 d and imposed upon said Sub-
 e Trustee will, on July 3, 2014 at
 AM at the Main Entrance of the
 erdale County Courthouse, lo-
 d in Ripley, Tennessee, proceed
 all at public outcry to the highest
 best bidder for cash or certified
 s ONLY, the following described
 erty situated in Lauderdale
 nty, Tennessee, to wit:

LYING, SITUATED AND BEING IN
 2ND CIVIL DISTRICT OF LAUDER-
 E COUNTY, TENNESSEE, AND
 RE PARTICULARLY DESCRIBED AS
 LLOWS, TO-WIT:

BEING LOT NO. 111 OF COTTON-
 OD ACRES SUBDIVISION, PHASE
 AS SHOWN ON PLAT RECORDED
 PLAT CABINET 1, SLIDE 99 OF THE
 GISTER'S OFFICE OF LAUDERDALE
 UNTY, TENNESSEE, TO WHICH PLAT
 FERENCE IS HEREBY MADE FOR A
 IRE PARTICULAR DESCRIPTION OF
 ID LOT, BUILDING RESTRICTIONS:
 T SUBJECT TO ALL COVENANTS
 ID RESTRICTIONS SHOWN ON THE
 AT OF COTTONWOOD ACRES SUB-
 VISION, PHASE II, RECORDED IN
 AT CABINET 1, SLIDE 99 OF THE
 GISTER'S OFFICE OF LAUDERDALE
 UNTY, TENNESSEE, THE DRIVE-
 AY CONNECTING SAID LOT TO THE
 FREET SHALL BE OF CONCRETE CON-
 TRUCTION, ONLY ONE SINGLE FAMILY
 WELLING CAN BE BUILT ON THIS LOT,
 ND SAID DWELLING SHALL CONTAIN
 MINIMUM OF 1,200 SQUARE FEET
 F HEATED AREA OR 1,400 SQUARE
 EET TOTAL UNDER ROOF NO MORE

Linda Summar,
 Clerk

ARE LISTED AS INTERESTED PARTIES IN THE ADVERTISEMENT,

SUBSTITUTE TRUSTEE'S NOTICE OF FORECLOSURE SALE

Default having been made in the terms, conditions, and payments provided in a certain Deed of Trust dated DECEMBER 15, 1997, executed by **DONNA S. SANGSTER**, AN UNMARRIED PERSON, to **JERRY DUPRIEST**, Trustee, of record in RECORD BOOK 390, PAGE 303, for the benefit of FIRST STATE BANK AND/OR ITS SUCCESSORS AND ASSIGNS AS THEIR INTEREST MAY APPEAR, in the Register's Office for LAUDERDALE County, Tennessee and to **J. PHILLIP JONES AND/OR JESSICA D. BINKLEY**, either of whom may act, appointed as Substitute Trustee in an instrument of record in the Register's Office for LAUDERDALE County, Tennessee, to secure the indebtedness described;

WHEREAS, said Deed of Trust was last assigned to TENNESSEE HOUSING DEVELOPMENT AGENCY, the entire indebtedness having been declared due and payable by TENNESSEE HOUSING DEVELOPMENT AGENCY BY AND THROUGH ITS SERVICER AND AUTHORIZED AGENT, U.S. BANK NATIONAL ASSOCIATION, being the present owner/holder or authorized agent, designee or servicer of the holder/owner of said indebtedness, has requested foreclosure proceedings to be instituted; and as provided in said Deed of Trust, I, **J. PHILLIP JONES/JESSICA D. BINKLEY**, Trustee

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS Services, owned by CVS Caremark Corporation, with an ownership type of for-profit self-managed, intends to file an application for a Certificate of Need for the establishment of a service home health agency only to provide and administer home infusion product service home health agency only to provide and administer home infusion product service home health agency only to provide and administer home infusion product maintenance, infusion equipment repair and replacement, and dressing changes external access ports within the following Tennessee counties: Benton, Carroll, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Hermitage, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and York. The current licensed home infusion pharmacy located at 1680 Century Center Parkway, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram CVS Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at 615/256-0500. well Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
 Andrew Jackson Building, 9th Floor
 502 Deaderick Street, Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other party wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

June 30, 2014

12 :54 pm

AFFIDAVIT OF PUBLICATION

**STATE OF TENNESSEE
WEAKLEY COUNTY**

Personally appeared before me, Ramona Washburn, a Notary Public in and for said County and State, the undersigned representative of The Dresden Enterprise, a weekly newspaper published in Dresden, Weakley County, Tennessee, who swears that the attached

Notification of Intent to Apply
was published in the issues dated June 11, 2014
of said newspaper.

Signed Ramona Washburn
Subscribed and sworn before me this 24
Day of June 2014
Ramona Washburn, Notary Public
My commission expires February 15, 2017.



**NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing challenges on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Parry, Shelby, Stewart, Tipton, Wayne and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee, 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson and Wilson.

The anticipated filing date of the application is June 6, 2014.
The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interest parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607 (c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

THE LEADER

Serving All of Tipton County

June 30, 2014

12:54 p

AFFIDAVIT OF PUBLICATION

State of Tennessee
Tipton County

Personally appeared before me, Kathy Griffin, a Notary Public, in and for said County and State, Brian Blackley, Publisher of *The Leader*, a newspaper published in Covington, Tipton County, Tennessee, who made oath in due form of law that the attached legal notice for **h3gm/Certificate of Need** was published in said newspaper on:

June 05, 2014

Signed



Brian Blackley, Publisher, *The Leader*

Subscribed and sworn before me,
this 24th day of June, 2014.



Notary Public

My commission expires on June 24, 2017.



June 30, 2014**12 :54 pm****NOTIFICATION OF INTENT TO APPLY FOR A
CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson. The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

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Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615/532-9940

June 16, 2014

Alix Coulter Cross
Attorney
Harwell, Howard, Hyne, Gabbert, and Manner
333 Commerce Street, Suite 1500
Nashville, TN 37201

RE: Certificate of Need Application CN1407-018
Coram Alternative Site Services, Inc. d/b/a Coram CVS/specialty Infusion Services

Dear Ms. Cross,

This will acknowledge our June 6, 2014 receipt of your application for a Certificate of Need for the establishment of a home care organization and the initiation of home health services limited to provision and administration of home infusion products and related infusion nursing services ancillary to its pharmacy services patients residing in 25 West Tennessee counties from its current licensed home infusion pharmacy located at 1680 Century Center, Suite 12, Memphis (Shelby County), TN 38134.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 p.m., Monday, June 23, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 4

The license provided for Coram Specialty Infusion Services in Attachment, Section A, Item 4.3 is noted. However, the license is out of date (expires January 30, 2014). Please provide a copy of an updated license.

2. Section A, Applicant Profile, Item 6

The provided lease is noted. However, please provide a signed fourth amendment to the lease which extends the existing lease to June 30, 2015.

In box 6.C the applicant indicates the duration of the lease is 5 years. However, it appears the lease expires June 30, 2015. Please clarify.

3. Section A, Applicant Profile, Item 12 and 13

The applicant indicates in item 12 certification will not be sought for Medicare and/or Medicaid. However, in item 13 the applicant indicates this project involves the treatment the TennCare participants. Please clarify.

Why has the applicant decided not to provide in-home infusion services to TennCare/Medicare enrollees?

Please clarify if TennCare/Medicare enrollees will be provided infusion services as out-of-network or under some other arrangement.

If the applicant does not plan not to provide home health infusion nursing services to TennCare/Medicare enrollees, where would enrollees be referred for those services? If a home health provider is not located, would an enrollee be required to travel on-site for infusion services? Please be specific.

On page 29 the applicant has documented difficulties in meeting the infusion nursing needs of its infusion therapy patients. Do these difficulties only apply to non-TennCare and Medicare patients? Please clarify how a non-homebound patient who needed infusion services would receive those services.

Is the applicant's current Memphis licensed home infusion pharmacy only serving non-TennCare/Medicare patients?

4. Section B, Project Description, Item I

The applicant is proposing to add one full time RN to provide home health infusion services to 207 patients representing 1,775 RN visits in Year One. Please clarify how this is possible.

On page 95 of the application, the applicant projects 1.95 RN FTEs in Year One. If necessary, please revise.

Please provide an overview of how home health infusion staff will be distributed in the 25 proposed counties.

Please clarify the relationship between Coram and Apria Healthcare.

If approved, please clarify if the applicant will subcontract any home health services associated with this application.

What are the risks of a patient experiencing a reaction to a medication as a result of a first dose administered by a home health agency in the home?

If a patient is new, typically are the first infusion doses administered in a controlled setting such as a hospital, MD office, clinic, etc.?

5. Section B, Project Description, Item III (Plot Plan)

The plot plan is noted. Please provide a plot plan that indicates size of the site (in acres).

6. Section B, Project Description, Item V (Home Health Agency)

Does the applicant propose any branch offices?

7. Section C, Need, Item 1., 5 Principals for Achieving Better Health

1. Improve the Health of Tennessee

The applicant states patients will be trained in self-care and administration. Please discuss what is included in self-care and administration of infusion products and services. Please describe the oversight that will be provided by the applicant in this arrangement.

2. Reasonable Access to Care for Every Citizen

The applicant plans to not serve TennCare/Medicare patients. Please indicate how this population will access this type of service.

8. Section C, Need, Item 1.a. (Project Specific Criteria-Home Health Services) (1.-4.)

The applicant states engaging a local home health agency to provide the first dose in a lengthy ongoing infusion therapy session is difficult at best. Please discuss the reasons why this is so. Please describe a first dose policy.

The applicant provides a study of existing home health agencies in the proposed service area. Please provide the number of home health agencies polled, the response rate of those home health agencies contacted, the method (telephone, mail, etc.), and tool (interview, questionnaire, etc.) for each study area.

In conducting the service area home health studies on pages 33-45 of the application, did Coram reveal to the Home Health Agencies polled the data would be used to file for a home health certificate of need for infusion services?

Please complete the following table:

Home Health Need Formula in the Applicant's 25-county additional Service Area

| County (A) | # Authorized Agencies* (B) | 2014 Pop** (C) | Patients served (2013) (D) | Use Rate (Patient /1000 pop.) (E) | 2018 Pop (F) | Projected Capacity (G) | Projected Need (H) | Additional Need (Surplus) for 2018 (G-H) |
|---------------|-------------------------------------|----------------------|-------------------------------------|---|--------------------|-------------------------------|----------------------------|--|
| | | | | (Column D Divided by Column C) | | Column E Times Column F | Column F Times 0.015 | Column G Minus Column H |
| Benton | 16 | | | | | | | |
| Carroll | 16 | | | | | | | |
| Chester | 15 | | | | | | | |
| Crockett | 15 | | | | | | | |
| Decatur | 17 | | | | | | | |
| Dyer | 14 | | | | | | | |
| Fayette | 30 | | | | | | | |
| Gibson | 17 | | | | | | | |
| Hardeman | 21 | | | | | | | |
| Hardin | 17 | | | | | | | |
| Haywood | 20 | | | | | | | |
| Henderson | 15 | | | | | | | |
| Henry | 15 | | | | | | | |
| Houston | 16 | | | | | | | |
| Lake | 8 | | | | | | | |
| Lauderdale | 19 | | | | | | | |
| Madison | 20 | | | | | | | |
| McNairy | 17 | | | | | | | |
| Obion | 14 | | | | | | | |
| Perry | 14 | | | | | | | |
| Shelby | 28 | | | | | | | |
| Stewart | 12 | | | | | | | |
| Tipton | 29 | | | | | | | |
| Wayne | 12 | | | | | | | |
| Weakley | 18 | | | | | | | |
| Total | | | | | | | | |

* The official population source used by HSDA is the TN Dept. of Health, Division of Health Statistics' Population Projections, 2010-2020

Based on the data initially submitted in the application, the applicant has submitted information which shows a sizeable surplus of home health services to the projected need for CY 2018 in the each of the 25 counties and the service area as a whole. Please discuss why the applicant feels there is a need for an additional home health service agency at this time.

The chart of 2013 home health visits per 100 population by service area county on page 46 is noted. The chart reveals Decatur County has a rate of over 5 visits per 100

population more than any other home health agency in the proposed 25 county service area. What factors does the applicant see that attributes to Decatur County being an outlier in home health utilization?

9. Section C. Need, Item 1 (Specific Criteria: Home Health Services, Item 5 – Documentation of Referral Sources)

The applicant provided responses to the following standards but did not provide the required documentation. In addition, many of the letters provided appeared to be from the East TN Area (three MDs and two patients) which is not part of the proposed service area. If possible, please provide letters from physicians and patients representative of the proposed service area (not just metropolitan areas). Please provide the documentation requested in the following standards:

- A. *The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.*
- B. *The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.*

The letters from the various physicians and potential referral sources indicate support, but do not indicate the “*projected number of cases by service category.*” Please provide the *projected number of cases by service category by referral source.*

The applicant has provided letters of support from one patient from the proposed service area experiencing difficulty, delay or inability to obtain the applicant’s proposed services. If possible, please provide any additional letters from patients or providers located in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.

The number of licensed home health agencies in the proposed service area in the table on pages 50-51 is noted. However, it appears not all home health agencies are listed. Please contact Alecia Craighead, HSDA Statistical Analyst at 615-253-2782 to request a comprehensive listing and update the table on pages 50-51 and any other applicable tables.

Please indicate the types of **cases** physicians would refer to the proposed home health agency and the projected number of **cases** by service category to be provided in the initial year of operation.

10. Section C. Need, Item 1 (Specific Criteria: Home Health Services)- Item 6a and 6b

Your response is noted. Please clarify if the applicant intends to fully charge and file claims for HH infusion services.

11. Section C, Need, Item 3

Your response is noted. The application question asked the applicant to identify and justify the reasonableness of the proposed service area. Please provide the number of

patients by patient county in the proposed 25 county service area of residence for the most recent year available at Coram Infusion.

| County | No. of Coram Infusion patients in county | % of total patients |
|-----------|--|---------------------|
| County #1 | | |
| County #2 | | |
| Etc. | | |
| Total | | 100% |

12. Section C, Need, Item 4.

Using current and projected population data from the Department of Health; and the most recent enrollee data from the Bureau of TennCare and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area:

| Demographic Variable/Geographic Area | Total Population-Current Year | Total Population-Projected Year | Total Population-% change | *Target Population-Current Year | *Target Population-Projected Year | Target Population-% change | Target Population-Projected Year | Median Age | Median Household Income | TennCare Enrollees | TennCare Enrollees as % of Total | Persons Below Poverty Level | Persons Below Poverty Level as % of Total |
|--------------------------------------|-------------------------------|---------------------------------|---------------------------|---------------------------------|-----------------------------------|----------------------------|----------------------------------|------------|-------------------------|--------------------|----------------------------------|-----------------------------|---|
| County A | | | | | | | | | | | | | |
| County B, etc. | | | | | | | | | | | | | |
| Service Area Total | | | | | | | | | | | | | |
| State of TN Total | | | | | | | | | | | | | |

**Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for the discontinuance of OB services would mainly affect Females Age 15-44; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2014, then default Projected Year is 2018*

13. Section C, Need, Item 4.B

The applicant is forecasting 5% of its patients will be medically indigent. Please clarify if these patients would have TennCare, or qualify for TennCare benefits. Also, please clarify if the pharmacy component outside of the home health visits would also qualify as medically indigent for those proposed 5%.

In the previously approved similar application, CN1205-020, Coram Alternative Site Services, approved on September 26, 2012 forecasted 5% charity care. In the 2013 Coram Specialty Infusion Services Joint Annual Report for the period March 1, 2013 to June 30, 2013, the payment source reflected 100% commercial payment (\$133,325) representing 11 patients served. Please clarify why 5% charity care was forecasted in the application CN1205-020 but was not provided by Coram.

14. Section C, Need, Item 6

The methodology of projecting the number of patients in Year One is unclear in the application. Please provide a brief simplified overview of the calculations, assumptions, referrals, etc. to project 207 patients in Year One.

15. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. However, please clarify if the leased space allocated to the proposed home health project has been accounted for on the Project Costs Chart.

16. Section C. Economic Feasibility Item 4. (Historical Data Chart and Projected Data Chart)

Please clarify why the provision of charity care is 1% in the Year 2013 in the Historical Data Chart for the pharmacy operation, but the applicant is projecting 5% charity care on the Projected Data Chart.

17. Section C, Economic Feasibility, Item 9

Please complete the following chart for the proposed HHA.

| Payor | Year One Gross Revenues | % of Total Revenues |
|----------------------|-------------------------|---------------------|
| Medicare | | |
| Medicaid/TennCare | | |
| Commercial insurance | | |
| Self-Pay | | |
| Charity | | |
| Total | | |

18. Section C, Economic Feasibility, Item 10

The Financial Statements are noted. Please provide the calculations the applicant used to derive the current ratio of 1:1.64.

19. Section C, Contribution to Orderly Development, Item 1

Please address this question as a home health agency rather than a licensed pharmacy and resubmit.

20. Section C, Contribution to Orderly Development, Item 3

Your response is noted. Please provide a comparison of the clinical staff salaries in the proposal to prevailing wage patterns in the service area either through comparison of the applicant's facility with similar previously approved projects within the primary service area, through the Tennessee Department of Labor & Workforce Development publications, or other published sources.

21. Section C, Contribution to Orderly Development, Item 4

The applicant envisions that a pool between 8 and 15 per diem/per visit Certified Infusion Registered Nurses (CIRN) will be recruited from around the proposed 25 county larger population centers. Please clarify if this pool of nurses is accounted for in the Projected Data Chart in anticipated staffing pattern.

22. Section C, Contribution to Orderly Development, Item 7d

If possible, please provide the latest copy of the latest Coram Alternate Site Services, Inc.'s Nashville home health licensure survey.

The applicant is accredited by The Joint Commission. If approved, will this accreditation also include home health services?

The letter from The Joint Commission dated August 5, 2013 states home health services are already provided by Coram Healthcare and references the Memphis office. Please clarify.

23. Proof of Publication

Please provide copies of the publication of intent of the required 22 newspapers of general circulation in the proposed service area as listed in the letter of intent. Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent that covers the 25 county proposed service area. Please insure the correct complete copy is paired with each appropriate affidavit.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is August 15, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,



Phillip M. Earhart
HSD Examiner
Enclosure



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

June 25, 2014

Alix Coulter Cross
Attorney
Harwell, Howard, Hyne, Gabbert, and Manner
333 Commerce Street, Suite 1500
Nashville, TN 37201

RE: Certificate of Need Application CN1407-018
Coram Alternative Site Services, Inc. d/b/a Coram CVS/specialty Infusion Services

Dear Ms. Cross,

This will acknowledge our June 20, 2014 receipt of your supplemental response for a Certificate of Need for the establishment of a home care organization and the initiation of home health services limited to provision and administration of home infusion products and related infusion nursing services ancillary to its pharmacy services patients residing in 25 West Tennessee counties from its current licensed home infusion pharmacy located at 1680 Century Center, Suite 12, Memphis (Shelby County), TN 38134.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 p.m., Thursday, June 26, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section C, Need, Item 6

The methodology of projecting 207 patients in Year One is noted. However, it remains unclear of the number of patients by therapy the applicant used in Year One and Year Two projections. Please complete the following table for Year One and Year Two projections:

| Type of Patients | Brief Description of Service | # Year One Patients | # Year Two Patients |
|--------------------|------------------------------|---------------------|---------------------|
| Aralast | | | |
| Chelation Therapy | | | |
| Chemotherapy | | | |
| Fabrazyme patients | | | |
| IVIG | | | |
| IVIG subcutaneous | | | |
| Zemaira | | | |
| Non-specialty | | | |
| Total | | | |

2. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. However, the unused leased space allocated to the proposed home health project will need to be accounted for in the Project Costs Chart. Please revise.

3. Proof of Publication

The applicant provided additional copies of the publication of intent required of newspapers of general circulation in the proposed service area. However, please submit the following missing proofs of publication:

| Newspaper | Missing Documentation |
|--------------------------------|-----------------------------------|
| Brownsville State-Graphic | Affavit and copy of publication |
| Dresden Enterprise | Affavit |
| Humboldt Chronicle | Copy of publication |
| The Courier | Affavit |
| The Independent Appeal | Affavit |
| The Leader | Affavit and copy of publication |
| The Lexington Progress | Affavit and copy of publication |
| The News Leader | Affavit and copy of publication |
| Lake County Banner Inc. | Affadavit and copy of publication |
| The Union City Daily Messenger | Affadavit and copy of publication |

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is August 15, 2014. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to

the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,



Phillip M. Earhart
HSD Examiner
Enclosure

SUPPLEMENTAL - #1

-Copy-

CORAM SPECIALTY INFUSION

CN1406-018



333 commerce street, suite 1500
nashville, tennessee 37201
phone: 615.256.0500 fax: 615.251.1059

h3gm.com

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

June 20, 2014

VIA HAND DELIVERY

Phillip M. Earhart
HSD Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1406-018
Applicant's Response to Request for Supplemental Information

Dear Mr. Earhart:

We are in receipt of the Agency's Request for Supplemental Information. Please accept this as the Applicant's response to the same. Mr. Dell's Affidavit is attached hereto as Exhibit A.

1. Section A, Applicant Profile, Item 4

The license provided for Coram Specialty Infusion Services in Attachment, Section A, Item 4.3 is noted. However, the license is out of date (expires January 30, 2014). Please provide a copy of an updated license.

Attached are the updated licenses for the Memphis pharmacy in Attachment to Question #1.

2. Section A, Applicant Profile, Item 6

The provided lease is noted. However, please provide a signed fourth amendment to the lease which extends the existing lease to June 30, 2015.

In box 6.C the applicant indicates the duration of the lease is 5 years. However, it appears the lease expires June 30, 2015. Please clarify.

Attached is an executed copy of the fourth amendment to the lease in Attachment to Question #2. The five years commenced in 2010 and end in 2015. The lease is extended every five years via renewals as demonstrated by the fact the current period is the fourth renewal. The Applicant intends

on again renewing the lease in 2015 to extend the lease an additional five years in accordance with the lease terms.

3. Section A, Applicant Profile, Item 12 and 13

The applicant indicates in item 12 certification will not be sought for Medicare and/or Medicaid. However, in item 13 the applicant indicates this project involves the treatment the TennCare participants. Please clarify.

Why has the applicant decided not to provide in-home infusion services to TennCare/Medicare enrollees?

Please clarify if TennCare/Medicare enrollees will be provided infusion services as out-of-network or under some other arrangement.

If the applicant does not plan not to provide home health infusion nursing services to TennCare/Medicare enrollees, where would enrollees be referred for those services? If a home health provider is not located, would an enrollee be required to travel on-site for infusion services? Please be specific.

On page 29 the applicant has documented difficulties in meeting the infusion nursing needs of its infusion therapy patients. Do these difficulties only apply to non-TennCare and Medicare patients? Please clarify how a non-homebound patient who needed infusion services would receive those services.

Is the applicant's current Memphis licensed home infusion pharmacy only serving non-TennCare/Medicare patients?

Although the Applicant will not seek certification as a Medicare home health agency or enroll in TennCare it will on occasion treat Medicare-covered and TennCare covered infusion patients, and either bill the patient a self-pay rate private nursing visit, or, if the patient's qualify (which most TennCare patients do) apply the visit to the Applicant's charity care pool and bad debt policy. The vast majority of the Medicare/TennCare infusion patients that the Applicant will treat are not considered "home bound," a finding necessary to support billing those programs for home health services. The patient's infusion drugs and therapies are, however, covered by Medicare/TennCare and the Applicant's pharmacy bills those programs for those medications and therapies. The difficulties its patients and their primary care providers encounter in securing nursing services to support delivery of the infusion therapies in the home is not necessarily unique to Medicare/TennCare, but those programs do require the patient be considered home-bound in order to bill those programs. As a result, existing agencies typically will not see those patients because they cannot get paid. If the Applicant's CON is approved, it will see these non-home

bound patients, and bill them at our self-pay rates for the nursing service, or apply the visit to the Applicant's charity care or bad debt policy.

The Applicant's Memphis licensed home infusion pharmacy is serving TennCare, Medicare, TriCare, VA, Champus and commercial payors. The TennCare and Medicare services for which the pharmacy has a provider number will continue to be by the pharmacy, even after the limited service home health agency is operational.

4. Section B, Project Description, Item I

The applicant is proposing to add one full time RN to provide home health infusion services to 207 patients representing 1,775 RN visits in Year One. Please clarify how this is possible.

On page 95 of the application, the applicant projects 1.95 RN FTEs in Year One. If necessary, please revise.

Please provide an overview of how home health infusion staff will be distributed in the 25 proposed counties.

Please clarify the relationship between Coram and Apria Healthcare.

If approved, please clarify if the applicant will subcontract any home health services associated with this application.

What are the risks of a patient experiencing a reaction to a medication as a result of a first dose administered by a home health agency in the home?

If a patient is new, typically are the first infusion doses administered in a controlled setting such as a hospital, MD office, clinic, etc.?

Based on the estimated number of nursing hours required for the 207 patients, there is budgeted 1.95 full-time equivalent RNs for Year One. These nurses will provide 4,060 hours of nursing care during that period. The nursing will be provided from a pool of 8 to 15 nurses located throughout the region. It is anticipated that one of these 8 to 15 nurses will be a full time nurse and will be supplemented by numerous hourly/pool staff located throughout West Tennessee. Staffing will be adjusted and needs met based on patient locations throughout the West Tennessee Service Area.

The typical length of a home health visit is 1 or so hours for non-specialty patients and 3 to 5 or 6 hours for specialty patients. Some of the specialty patients require their visits for their entire lives, and are not short-term patients.

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Coram was previously/formerly an indirect subsidiary of Apria Healthcare. On January 16, 2014, an affiliate of CVS Caremark Corporation acquired 100 percent of the voting interests of Coram LLC and its subsidiaries (collectively, "Coram"), the specialty infusion services and enteral nutrition business unit of Apria Healthcare Group Inc. Thereby, as of January 16, 2014 Apria Healthcare Group, Inc, and its operating subsidiary, Apria Healthcare, LLC have no ownership rights or affiliation with Coram, neither operationally nor structurally. Please refer to the Organizational Chart in the CON Application. Any reference to Apria in CN1406-017 should be deleted.

The Project Chart identifies services provided by all nursing staff (pool and employees) based on hours of care and number of patients. If necessary, some of these services may be subcontracted but that is not the intent at this time as the limited service agency is designed to treat patients the other home health agencies will not accept.

1. Coram has a specific First-Dose Policy, which includes specific risk assessments and procedures for implementation. A copy of the First Dose Policy is included herein at Attachment to Question #4. Coram's First Dose Policy describes the guidelines for administration of the first dose of a medication in the home. The nurse and pharmacist shall review patient specific information in conjunction with the physician, prior to approving the administration of the first dose of a medication in the home. Prior to the administration of a first dose, the potential for risk and adverse reactions is assessed. If there is increased risk of adverse reaction, the first dose is administered in a controlled medical environment, (i.e., hospital, physician's office or clinic, emergency room or Ambulatory Infusion Suite). In the event the patient is administered in the home and there is an adverse reaction, the nurse shall stay with the patient until the patient is stable or care has been transferred to an emergency care provider. Additional requirements for first dose administration in the home: back-up emergency services (911 service or ambulance availability); access to working telephone; availability of referring physician (via telephone); availability of caregiver (must be present); and signed acute infusion reaction orders. There are certain medications that Coram does not administer as a first dose in the home. Additionally, there are specific procedures the clinician must follow relative to Coram's First Dose Policy as detailed in the attached Policy.

5. Section B, Project Description, Item III (Plot Plan)

The plot plan is noted. Please provide a plot plan that indicates size of the site (in acres).

Attached is an updated plot plan indicating the number of acres at 5.80 acres (See Attachment to Question #5).

6. Section B, Project Description, Item V (Home Health Agency)

Does the applicant propose any branch offices?

The Applicant does not propose any branch offices.

7. Section C, Need, Item 1., 5 Principals for Achieving Better Health

1. Improve the Health of Tennessee

The applicant states patients will be trained in self-care and administration. Please discuss what is included in self-care and administration of infusion products and services. Please describe the oversight that will be provided by the applicant in this arrangement.

Self-care and administration indicates the patient (and/or caregiver) fully understands the patient plan of care and has mastered proficiency for performing and managing the prescribed therapy. When it becomes apparent that the patient or caregiver requires further education or when a new or existing caregiver requires further instruction, Coram is aware of this almost immediately due to its oversight of the patient and its clinical nursing team who work on the pharmacy (not home health) side of the business.

Coram adopts a specific policy to describe the patient education process to ensure that patients/caregivers receive training and education in a manner that meets their language, reading and comprehension needs. Patients admitted to service shall receive Coram educational materials pertinent to the therapy prescribed, administration procedures and self-care instructions. Patient education and teaching documentation is audited as part of the clinical chart audit on a routine basis. Patient education tools shall be reviewed at least annually and updated to maintain current standards.

Patients and/or their caregiver(s) are assessed prior to initiating the educational process for their ability to comprehend the teaching tools provided. This assessment includes the patient and/or caregiver's readiness to learn, barriers to learning, cultural and spiritual practices and language barriers that may require a revised approach to patient education. As part of this process age, culture, language, physical impairment, literacy, education method, cognitive alertness, emotional state, motivation and knowledge are considered.

The education of self-care and administration begins upon admission to service. Patient education and teaching is ongoing, based upon the patient assessment and compliance with the plan of care, response to therapy and proficiency for performing and managing the prescribed therapy. Ongoing patient education is provided any time the therapy regimen or self-administration procedures change, when it becomes apparent that the patient or caregiver requires further education or when a new or existing caregiver requires further instruction. For those patients who do not receive home nursing care from Coram nurses, education will be provided by an admissions clinician. Patients who have received therapy and access management instructions from the hospital clinical staff or physician's office prior to admission to Coram services and/or patients who have received home infusion services before, will have their competency verified. A Coram clinician will contact the patient or caregiver for a verbal review of the process to be performed.

2. Reasonable Access to Care for Every Citizen

The applicant plans to not serve TennCare/Medicare patients. Please indicate how this population will access this type of service.

Although the Applicant will not seek certification as a Medicare home health agency or enroll in TennCare it will on occasion treat Medicare-covered and TennCare covered infusion patients, and either bill the patient a self-pay rate private nursing visit, or, if the patient qualifies (which most TennCare patients do) apply the visit to the Applicant's charity care pool and bad debt policy. The vast majority of the Medicare/TennCare infusion patients that the Applicant will treat are not considered "home bound," a finding necessary to support billing those programs for home health services. The patient's infusion drugs and therapies are, however, covered by Medicare/TennCare and the Applicant's pharmacy bills those programs for those medications and therapies. The difficulties its patients and their primary care providers encounter in securing nursing services to support delivery of the infusion therapies in the home is not necessarily unique to Medicare/TennCare, but those programs do require the patient be considered home-bound in order to bill those programs. As a result, existing agencies typically will not see those patients because they cannot get paid. If the Applicant's CON is approved, it will see these non-home bound patients, and bill them at our self-pay rates for the nursing service, or apply the visit to the Applicant's charity care or bad debt policy.

8. Section C, Need, Item 1.a. (Project Specific Criteria-Home Health Services) (1.-4.)

The applicant states engaging a local home health agency to provide the first dose in a lengthy ongoing infusion therapy session is difficult at best. Please discuss the reasons why this is so. Please describe a first dose policy.

The applicant provides a study of existing home health agencies in the proposed service area. Please provide the number of home health agencies polled, the response rate of those home health agencies contacted, the method (telephone, mail, etc.), and tool (interview, questionnaire, etc.) for each study area.

In conducting the service area home health studies on pages 33-45 of the application, did Coram reveal to the Home Health Agencies polled the data would be used to file for a home health certificate of need for infusion services?

Based on the data initially submitted in the application, the applicant has submitted information which shows a sizeable surplus of home health services to the projected need for CY 2018 in the each of the 25 counties and the service area as a whole. Please discuss why the applicant feels there is a need for an additional home health service agency at this time.

The chart of 2013 home health visits per 100 population by service area county on page 46 is noted. The chart reveals Decatur County has a rate of over 5 visits per 100 population more than any other home health agency in the proposed 25 county service area. What factors does the applicant see that attributes to Decatur County being an outlier in home health utilization?

Existing HHAs do not provide First Dose Therapies as a result of the fact they do not have policies in place to support safe administration of first lifetime dose. In contrast, Coram has a first dose policy that screens patients for safe administration of this first dose in the home.

Coram's First Dose Policy describes the guidelines for administration of the first dose of a medication in the home. The nurse and pharmacist shall review patient specific information in conjunction with the physician, prior to approving the administration of the first dose of a medication in the home. Prior to the administration of a first dose, the potential for risk and adverse reactions will be assessed. If there is increased risk of adverse reaction, the first dose is administered in a controlled medical environment, (i.e., hospital, physician's office or clinic, emergency room or Ambulatory Infusion Suite). If administered in the home, the nurse remains in the home for at least 30 minutes after the completion of a first dose infusion. If the first dose is a continuous infusion lasting more than one hour, the nurse shall stay for the first hour of that infusion. In the event that there is an adverse reaction, the nurse shall stay with the patient until the patient is stable or care has been transferred to an emergency care provider. Additional requirements for first dose administration in the home:

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back-up emergency services (911 service or ambulance availability); access to working telephone; availability of referring physician (via telephone); availability of caregiver (must be present); and signed acute infusion reaction orders. There are certain medications that Coram does not administer as a first dose in the home. Additionally, there are specific procedures the clinician must follow relative to Coram's First Dose Policy. The First Dose Policy is included in Attachment to Question #4.

Regarding the home health survey conducted, it was a telephonic poll of existing home health agencies. The caller identified herself as a Coram employee. Contact like this is not unusual, because Coram employees regularly contact area home health agencies to solicit home health agencies to support Coram pharmacy patients. The Coram representative did not mention the possibility that the Applicant would be filing a CON application.

There are 62 licensed agencies in West Tennessee, of which 61 admitted at least one patient during the past three years. However, some of these agencies have more than one branch office, resulting in more locations than the 62 licensed agencies. Attempts were made to contact all agencies. Forty-six agencies provided responses, representing a 75 percent participation level. The numbers and percentages reported in the CON application are consistent with these counts of agencies which participated in the telephone survey.

The table with population and computations at 1.5 per population requested in the Supplemental Letter is attached to this submittal as Attachment to Question #8. While this table uses the 1.5 factor, in reality this significantly understates the actual patient demand for home health services. As stated in the CON Application, actual historical utilization in the 25-county service area is 2.55 percent, which is more than 70 percent greater than the 1.5 percent guideline. Had the actual historical utilization been utilized to forecast the demand in 2018, the estimate of 24,300 visits in 2018 would have increased to 42,300 – 70 percent more than the computation utilized by the State to determine need presented in the attached table.

Actual utilization experience of all counties in the service area demonstrates the State's need formula of 1.5 percent of population is a dated formula not incorporating the healthcare system's focused initiative to provide healthcare services to patients in the least restrictive, least costly appropriate environment. Focus on community based programs and services, outpatient treatment and effectively treating patients in a less

costly environment all contribute to the 1.5 guideline rate being an inappropriate measure of the need for home health services.

Coram's proposal involves providing services to approximately 228 patients per year which is but a very small fraction of the anticipated home health population.

In evaluating Decatur County population and utilization, factors that could contribute to its high home health use rate include but are not limited to the following: Decatur has the highest median age of any county in West Tennessee – and 21 percent greater than the overall area, the elderly (65+) percent is at 21.8 percent, 62 percent greater than the West Tennessee overall at 13.4 percent, and the old old (85+) is at 2.8 percent of population, 76 percent greater than the West Tennessee overall rate of 1.6 percent.

9. Section C. Need, Item 1 (Specific Criteria: Home Health Services, Item 5 – Documentation of Referral Sources)

The applicant provided responses to the following standards but did not provide the required documentation. In addition, many of the letters provided appeared to be from the East TN Area (three MDs and two patients) which is not part of the proposed service area. If possible, please provide letters from physicians and patients representative of the proposed service area (not just metropolitan areas). Please provide the documentation requested in the following standards:

- A. *The applicant shall provide letters of intent from physicians and other referral sources pertaining to patient referral.*
- B. *The applicant shall provide information indicating the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.*

The letters from the various physicians and potential referral sources indicate support, but do not indicate the “*projected number of cases by service category.*” Please provide the *projected number of cases by service category by referral source.*

The applicant has provided letters of support from one patient from the proposed service area experiencing difficulty, delay or inability to obtain the applicant's proposed services. If possible, please provide any additional letters from patients or providers located in the proposed service area that state they have attempted to find appropriate home health services but have not been able to secure such services.

The number of licensed home health agencies in the proposed service area in the table on pages 50-51 is noted. However, it appears not all home health agencies are listed. Please contact Alecia Craighead, HSDA Statistical Analyst at 615-253-2782 to request a comprehensive listing and update the table on pages 50-51 and any other applicable tables.

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Please indicate the types of cases physicians would refer to the proposed home health agency and the projected number of cases by service category to be provided in the initial year of operation.

The Applicant seeks a CON limited to providing nursing services incident to the delivery of infusion therapies in the home of its patients. All of the projected number of cases will be limited to nursing services incident to infusion therapies (i.e., preparation and cleaning of access site, administration of the infusion therapy, monitoring of the patient's vital signs and reaction to the therapy). These patients will generally not be provided skilled nursing services unrelated to infusion therapies. The Applicant is seeking additional letters of support from patients and providers and will supplement the record up to the hearing date upon receipt of additional letters of support.

Alecia Craighead provided an updated list of all home health agencies licensed in any of the 25 counties. That list is provided in the Attachment to Question #9 and identifies 62 such agencies. The utilization data presented in the CON application that identified home health agencies, included any home health agencies with 1 or more patients on 1 or more of the 25 counties, accounted for 61 agencies. While the list provided by Ms. Craighead includes one more home health agencies than the utilization chart in the CON application, this is due to the fact this additional agency had zero (0) patients in any of the 25 counties in the service area.

As noted in the CON application, 100 percent of the home health visits will be skilled nursing; and 100 percent of the skilled nursing home health visits will be infusion related. These would all be provided under physician orders and therefore the type of cases referred by physician.

10. Section C. Need, Item 1 (Specific Criteria: Home Health Services)- Item 6a and 6b

Your response is noted. Please clarify if the applicant intends to fully charge and file claims for HH infusion services.

Although the Applicant will not seek certification as a Medicare home health agency or enroll in as a home health agency in TennCare it will on occasion treat Medicare-covered and TennCare covered infusion patients. The Applicant will either bill these patients at the Applicant's self-pay rate private nursing visit, or, if the patients qualifies (which most TennCare patients do) apply the visit to the Applicant's charity care pool and bad debt policy. The vast majority of the Medicare/TennCare infusion patients that the Applicant will treat are not considered "home bound," a finding necessary to support billing those programs for home health services. The

patient's infusion drugs and therapies are, however, covered by Medicare/TennCare and the Applicant's pharmacy bills those programs for those medications and therapies. The difficulties its patients and their primary care providers encounter in securing nursing services to support delivery of the infusion therapies in the home is not necessarily unique to Medicare/TennCare, but those programs do require the patient be considered home-bound in order to bill those programs. Thus, existing agencies typically will not see patients that are not home bound because the agencies cannot get paid. If the Applicant's CON is approved, it will see these non-home bound patients, and bill them at a self-pay rate for the nursing service, or apply the visit to the Applicant's charity care or bad debt policy.

11. Section C, Need, Item 3

Your response is noted. The application question asked the applicant to identify and justify the reasonableness of the proposed service area. Please provide the number of patients by patient county in the proposed 25 county service area of residence for the most recent year available at Coram Infusion.

The information requested is provided in the table in Attachment to Question #11. As noted in the table, approximately 86 percent of the Memphis branch's Tennessee patients reside within the defined service area. Those Tennesseans outside the service area primarily reside in Middle Tennessee and are transferred to the Nashville branch for necessary limited home health services and follow up.

In health planning, definition of a service area identifies those counties that will comprise the majority of the patient population. When services are provided to numerous counties within an area, occasionally counties are included in the definition that may have low population and therefore only sporadic patient needs but which are fully surrounded by the defined service area. As noted in the Attachment, a few low population counties in West Tennessee most recently had no patients but in years prior did, and at the same time are surrounded by counties with patients. Accordingly, it is reasonable to include all of those counties identified.

12. Section C, Need, Item 4.

Using current and projected population data from the Department of Health; and the most recent enrollee data from the Bureau of TennCare and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

The information requested is provided in the Attachment to Question #12 table. The target population is those under the age of 65.

13. Section C, Need, Item 4.B

The applicant is forecasting 5% of its patients will be medically indigent. Please clarify if these patients would have TennCare, or qualify for TennCare benefits. Also, please clarify if the pharmacy component outside of the home health visits would also qualify as medically indigent for those proposed 5%.

In the previously approved similar application, CN1205-020, Coram Alternative Site Services, approved on September 26, 2012 forecasted 5% charity care. In the 2013 Coram Specialty Infusion Services Joint Annual Report for the period March 1, 2013 to June 30, 2013, the payment source reflected 100% commercial payment (\$133,325) representing 11 patients served. Please clarify why 5% charity care was forecasted in the application CN1205-020 but was not provided by Coram.

As noted above, with respect to indigent, Medicare or TennCare patients, the Applicant bills those patients at a self-pay rate for the nursing visit, and typically apply those sums owing to its charity care or bad debt policies. The Applicant does not separately track or break out sums not typically collected from private pay patients. The reason why only 11 commercial health patients were reflected in the Applicant's 2013 JARS Report is because that reporting period only reflected approximately 60-days of operations, and given short duration of operations and the small sample size it is not unusual that most patients would be commercial health patients. Moreover, even though the patients are enrolled as commercial health, in reality charity care or self-pay is often not identified until the patient has been on service for some time. It is believed that at least one of those 11 patients actually became a self-pay or charity care case.

14. Section C, Need, Item 6

The methodology of projecting the number of patients in Year One is unclear in the application. Please provide a brief simplified overview of the calculations, assumptions, referrals, etc. to project 207 patients in Year One.

The 207 patients identified in year one were based on a detailed analysis of the Memphis Branch patients by infusion therapy provided during calendar year 2013. First patients by quarter and year by therapy were identified. Next, the number of patients/therapies was estimated to increase by five percent per year to the limited home health agency's first year of operation. Then, by therapy, the following assumptions were applied:

- Aralast patients were estimated to receive one visit per week for 1.5 hours.
- Chelation therapy patients were estimated to receive one visit at start of care for 2 hours.
- Chemotherapy patients were estimated to receive one visit per week for less than one hour.
- Fabrazyme patients were estimated to receive bi-weekly visits for 3 hours each.
- IVIG patients were estimated to receive an initial visit with then one visit per month for five hours per visit.
- IVIG subcutaneous patients were estimated to receive two to three visits at start of care, lasting 2 hours.
- Zemaira patients were estimated to receive one visit per week for 1.5 hours.
- Five percent of non-specialty patients (those not listed above) were estimated to have one visit per week for 2 hours.

Volumes were increased by five percent between years one and two, resulting in 228 patients in year two.

15. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. However, please clarify if the leased space allocated to the proposed home health project has been accounted for on the Project Costs Chart.

The leased space is not separately denoted in the Project Cost Chart because the space that will house the proposed agency is unused space in the Applicant pharmacy's leasehold and there is no additional incremental cost associated with housing the agency in this space.

16. Section C. Economic Feasibility Item 4. (Historical Data Chart and Projected Data Chart)

Please clarify why the provision of charity care is 1% in the Year 2013 in the Historical Data Chart for the pharmacy operation, but the applicant is projecting 5% charity care on the Projected Data Chart.

The Historical Data Chart relates to the pharmacy operations; the Projected Data Chart is for the limited service home health agency. Because medically-necessary infusion services are typically covered by Medicare, TennCare and private health insurance the Applicant's pharmacy operations generally experience a low rate of charity care and bad debt. However, because the Applicant generally cannot bill Medicare, TennCare and some commercial health insurance for home health services incident to infusion therapy services because the patients are not "home bound," the Applicant will have to write-off more visits to its charity care and bad debt policies than it does with respect to the pharmacy. Hence the

disparity between historical actual in the pharmacy and anticipated / projected in the home health agency.

17. Section C, Economic Feasibility, Item 9

Please complete the following chart for the proposed HHA.

Please see the following estimates for the supplemental requested information:

| Payor | Year One Gross Revenues | % of Total Revenues |
|----------------------|-------------------------|---------------------|
| Medicare | \$0 | 0% |
| Medicaid/TennCare | \$0 | 0% |
| Commercial insurance | \$236,333 | 89% |
| Self-Pay | \$15,933 | 6% |
| Charity | \$13,277 | 5% |
| Total | \$265,543 | 100% |

18. Section C, Economic Feasibility, Item 10

The Financial Statements are noted. Please provide the calculations the applicant used to derive the current ratio of 1:1.64.

The current ratio is derived by dividing current assets by current liabilities. The CVS 10K for calendar year 2013 current ratio of 1.64 is derived as follows: Current Assets of \$25,325,000,000 divided by Current Liabilities of \$15,425,000,000.

19. Section C, Contribution to Orderly Development, Item 1

Please address this question as a home health agency rather than a licensed pharmacy and resubmit.

Coram’s proposed CON advances the orderly development of healthcare because incumbent HHA providers will not be impacted by Coram providing skilled nursing services incident to its infusion therapies. When a patient meets homebound status criteria, and thus qualifies for HHA nursing services, Coram first refers those cases to the incumbent, Medicare-certified agencies. Only when a certified agency cannot be located after contacting at least three area agencies, will Coram provide the nursing necessary to safely support medication administration to the patient. As noted elsewhere in this Application, the incumbent agencies do not accept non-homebound patients who do not qualify for HHA nursing

services under Medicare or TennCare. Thus, none of the existing agencies reimbursable caseload is effected by Coram's proposed CON, yet patients who would otherwise be turned away by those agencies will be able to receive their infusion therapies in the safety and convenience of their home. Coram believes these factors, taken together, advance the orderly development of healthcare.

As a home health agency, orderly development will also be advanced because Coram will expand its service contracts to include limited nursing services with the following providers: Aetna, Blue Cross Blue Shield of Tennessee, Carecentrix, Cigna, Corizon, Coventry, Cover Tennessee, GEHA, Multiplan, HealthSprings of Tennessee, Magellan TennCare, Prime Healthcare, Medicare, St. Jude and TriCare. It will add other providers as warranted.

From a relationship standpoint with providers, Coram anticipates that between 80 and 90 percent of its patients will be referrals from physicians practicing at the following hospitals and/or those hospitals' discharge planners: St. Jude Children's Hospital, St. Francis Hospital, Vanderbilt University Medical Center, Methodist University Hospital, Methodist Germantown, Le Bonheur Children's Medical Center, Baptist Memorial – DeSoto, Baptist Memorial Hospital, Methodist North Hospital, Regional Medical Center, Select Specialty, and VA Medical Center. Because the Applicant's pharmacy has strong relationships with these providers, the Applicant will easily be recognized as a resource for patients who are not otherwise suited for the typical Medicare home health agency.

20. Section C, Contribution to Orderly Development, Item 3

Your response is noted. Please provide a comparison of the clinical staff salaries in the proposal to prevailing wage patterns in the service area either through comparison of the applicant's facility with similar previously approved projects within the primary service area, through the Tennessee Department of Labor & Workforce Development publications, or other published sources.

The only staff to be added for this proposed project are registered nurses. Comparison to actual salaries in the service area can be accomplished readily as Coram Memphis Branch pharmacy already employs a clinical nurse to work with the pharmacy patients. As shown in the table in the response to this question within the CON application, the current average existing salary for this employee is \$70,000. The Tennessee Department of Labor and Workforce Development publication for the Memphis MSA indicates LPN salaries range between \$33,730 and \$44,090 (25 to 75 percentile) and Healthcare Practitioners and Technical Workers, All Other

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\$36,990 (25th percentile) and \$67,520 (75th percentile). Because there is not a single category for registered nurses, we believe this latter category encompasses the RN position. Accordingly, given the existing pay rates at Coram Memphis Branch of \$70,000, and its proposed home health nursing salary of \$82,500, the amount proposed is reasonable and achievable.

21. Section C, Contribution to Orderly Development, Item 4

The applicant envisions that a pool between 8 and 15 per diem/per visit Certified Infusion Registered Nurses (CIRN) will be recruited from around the proposed 25 county larger population centers. Please clarify if this pool of nurses is accounted for in the Projected Data Chart in anticipated staffing pattern.

The pool of nurses is accounted for in the Projected Data Chart and the anticipated staffing patterns.

22. Section C, Contribution to Orderly Development, Item 7d

If possible, please provide the latest copy of the latest Coram Alternate Site Services, Inc.'s Nashville home health licensure survey.

The applicant is accredited by The Joint Commission. If approved, will this accreditation also include home health services?

The letter from The Joint Commission dated August 5, 2013 states home health services are already provided by Coram Healthcare and references the Memphis office. Please clarify.

Attachment to Question #22 is the latest licensure survey of the Nashville branch home health agency. If this CON application is approved, the accreditation by The Joint Commission will be extended to this limited service home health agency.

Reference in the accreditation document by The Joint Commission is the fact that the Memphis operation is accredited for services for which it is licensed. It is not currently accredited for home health. However, the certificate will be updated for limited service home health once the CON is approved and the Memphis branch is appropriately licensed.

23. Proof of Publication

Please provide copies of the publication of intent of the required 22 newspapers of general circulation in the proposed service area as listed in the letter of intent. Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent that covers the 25 county

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proposed service area. Please insure the correct complete copy is paired with each appropriate affidavit.

These are attached to this Supplemental submission.

With best regards,

HARWELL HOWARD HYNE
GABBERT & MANNER, P.C.

A handwritten signature in cursive script that reads "Alix Cross".

Alix Coulter Cross

ACC/smb

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AFFIDAVIT

STATE OF COLORADO

COUNTY OF DENVER

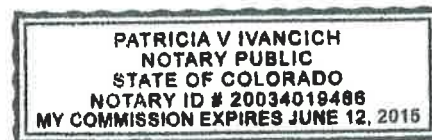
NAME OF FACILITY: CORAM ALTERNATE SITE SERVICES, INC.

I, MICHAEL E. DELL, after first being duly sworn, state under oath that I am the Senior Vice President, General Counsel & Secretary of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that to the best of my knowledge, it is true, accurate, and complete.



Michael E. Dell
SVP, General Counsel & Secretary

Sworn to and subscribed before me, a Notary Public, this the 19th day of June, 2014, witness my hand at office in the County of Denver, State of Colorado.





PATRICIA V. IVANCICH
NOTARY PUBLIC

My commission expires June 12, 2015.

HF-0043

Revised 7/02

EXHIBIT A

SUPPLEMENTAL #1

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**ATTACHMENT TO QUESTION #1
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

Arkansas State Board of Pharmacy

322 South Main Street, Suite 600, Little Rock, Arkansas 72201

2014 - 2015 RETAIL PHARMACY LICENSE

Coram Alternate Site Services, Inc.
DBA: Coram CVS/Specialty Infusion Services

located at:

1680 Century Center, Suite 12, Memphis, TN 38134

License #: OS01171 Expires: 12/31/2015

Original License Date: 07/13/1995

This is to certify that the Pharmacy named above is licensed under the provisions of the
Arkansas Pharmacy Practice Act, other Arkansas statutes, and Arkansas Pharmacy Regulations.

Pharmacist in Charge: Susan Armour White, PD09566
This permit is not transferable and must be prominently displayed.

License #: OS01171

Facility ID: 100373

Arkansas State Board of Pharmacy

Mailing Address: Coram Alternate Site Services, Inc.
DBA: Coram CVS/Specialty Infusion Services
555 17th St., Ste. 1500
Denver, CO 80202

Reason Mailed:

- ☐ Original License
- ☐ Renewal
- ☐ Name Change Only
- ☐ Change of Ownership
- ☐ Change of Pharmacist in Charge
- ☐ Address Correction/Change
- ☐ Replacement Requested
- ☐ Other:

The address above is the mailing address where all
correspondence from the board will be sent, including
renewal information. All changes to contact
information can be made online at
www.pharmacyboard.arkansas.gov under "License
Maintenance." Use the license number and facility ID
above to log in. In-state pharmacies can also update
employees online.

SUPPLEMENTAL #1



39863 June 20, 2014
STATE OF TENNESSEE
DEPARTMENT OF
HEALTH

ID NUMBER: 0000002058
EXPIRATION DATE: 05/31/2016

This is to certify that all requirements of the State of Tennessee have been met

PHARMACY BOARD
PHARMACY
CORAM ALTERNATE SITE SERVICES, INC.

Rosemarie OHO
DIRECTOR, HEALTH RELATED BOARDS

ATTN: LICENSURE & CERTIFICATION
CORAM ALTERNATE SITE SERVICES, INC.
555 17TH STREET, SUITE 1500
DENVER CO 80202-3900

|||||



State of Tennessee

9084830
39863

TENNESSEE BOARD OF PHARMACY
PHARMACY

CORAM ALTERNATE SITE SERVICES, INC.
DBA CORAM CVS/SPECIALTY INFUSION SERVICE
1680 CENTURY CNTR PKWY STE 12
MEMPHIS TN 38134-8827

*This is to certify that all requirements of the State of Tennessee
have been met.*

ID NUMBER: 0000002058
EXPIRATION DATE: 05/31/2016

CONTROLLED SUBSTANCE REGISTRATION

Rosemarie OHO
DIRECTOR, HEALTH RELATED BOARDS

SUPPLEMENTAL #1

June 20, 2014

12:06 pm



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
DIVISION OF HEALTH LICENSURE AND REGULATION
OFFICE OF HEALTH RELATED BOARDS
665 Mainstream Drive
Nashville, TN 37243
tennessee.gov/health

TENNESSEE BOARD OF PHARMACY
(615) 741-2718 or Fax (615) 741-2722

May 12, 2014

Coram Alternate Site Services, Inc.
Attn: Licensure & Certification
555 17th Street, Suite 1500
Denver, CO 80202

RE: STERILE COMPOUNDING MODIFIER

To Whom It May Concern:

This letter certifies that **CORAM ALTERNATE SITE SERVICES, INC. DBA CORAM CVS/SPECIALTY INFUSION SERVICES** is qualified to engage in the practices of sterile compounding under Tennessee rules and regulations. This qualification is specific to the following facility:

LICENSE TYPE: Pharmacy

ADDRESS: 1680 Century Center Pkwy, Suite 12
Memphis, TN 38134-8827

LICENSE NUMBER: 2058

COMMENTS: Please keep a copy of this letter on file at your facility. Once the board has completed implementation of the sterile compounding modifier, an updated license will be mailed to the address on record.

Sincerely,

Lakita Taylor
Administrative Assistant II
Tennessee Board of Pharmacy



| | | | | | |
|---|--|-------------------|---------------------------|-------------|----------|
| DEA REGISTRATION NUMBER | | | THIS REGISTRATION EXPIRES | | FEE PAID |
| BC4455247 | | | 08-31-2014 | | \$551 |
| SCHEDULES | | BUSINESS ACTIVITY | | DATE ISSUED | |
| 2,2N,3 3N,4,5 | | CHAIN PHARMACY | | 08-09-2011 | |
| CORAM ALTERNATE SITE SERVICES, INC. DBA CORAM CVS/SPECIALTY INFUSION SERVICES 1680 CENTURY CENTER PARKWAY SUITE #12 MEMPHIS, TN 38134 | | | | | |

CONTROLLED SUBSTANCE REGISTRATION CERTIFICATE
UNITED STATES DEPARTMENT OF JUSTICE
DRUG ENFORCEMENT ADMINISTRATION
WASHINGTON, D.C. 20537

Sections 304 and 1008 (21 U.S.C. 824 and 950) of the Controlled Substances Act of 1970, as amended, provide that the Attorney General may revoke or suspend a registration to manufacture, distribute, dispense, import or export a controlled substance.

THIS CERTIFICATE IS NOT TRANSFERABLE ON CHANGE OF OWNERSHIP, CONTROL, LOCATION, OR BUSINESS ACTIVITY, AND IS NOT VALID AFTER THE EXPIRATION DATE.

Form DEA-223 (05/04)

| | | | | | |
|---|--|---------------------------|--|-------------|--|
| CONTROLLED SUBSTANCE REGISTRATION CERTIFICATE UNITED STATES DEPARTMENT OF JUSTICE DRUG ENFORCEMENT ADMINISTRATION WASHINGTON, D.C. 20537 | | | | | |
| DEA REGISTRATION NUMBER | | THIS REGISTRATION EXPIRES | | FEE PAID | |
| BC4455247 | | 08-31-2014 | | \$551 | |
| SCHEDULES | | BUSINESS ACTIVITY | | DATE ISSUED | |
| 2,2N,3 3N,4,5 | | CHAIN PHARMACY | | 08-09-2011 | |
| CORAM ALTERNATE SITE SERVICES, INC. DBA CORAM CVS/SPECIALTY INFUSION SERVICES 1680 CENTURY CENTER PARKWAY SUITE #12 MEMPHIS, TN 38134 | | | | | |

Sections 304 and 1008 (21 U.S.C. 824 and 950) of the Controlled Substances Act of 1970, as amended, provide that the Attorney General may revoke or suspend a registration to manufacture, distribute, dispense, import or export a controlled substance.

THIS CERTIFICATE IS NOT TRANSFERABLE ON CHANGE OF OWNERSHIP, CONTROL, LOCATION, BUSINESS ACTIVITY, OR VALID AFTER THE EXPIRATION DATE.

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

204 Key Drive
Suite C
Madison, MS 39110
Office: 601-665-5388
Fax: 601-665-9546



MISSISSIPPI
Board of Pharmacy



Permit Number:
02904/ 7.1

Permit Holder:
Moletha J Coleman

This is to Certify that **Coram Specialty Infusion Svcs, Inc** *is duly permitted as a:*

DBA: Coram Specialty Infusion, an Apria Hlthcare Co
1680 Century Center Pkwy
#12
Memphis, TN 38134

Non-Resident Pharmacy

This permit is not transferable or assignable.

Issued: 01-Nov-1994
Renewed: 23-Oct-2013
Expires: 31-Dec-2015

Trat-Hamill

Executive Director

204 Key Drive
Suite C
Madison, MS 39110
Office: 601-665-5388
Fax: 601-665-9546



MISSISSIPPI

Board of Pharmacy



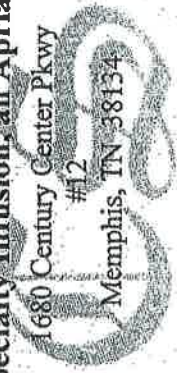
Registration Number
CS02904/ 7.1

Controlled Substance Registration

Coram Specialty Infusion Svcs, Inc

DBA: Coram Specialty Infusion, an Apria Healthcare Co

1680 Century Center Pkwy
#12
Memphis, TN 38134



Under the provisions of Section 41-29-125, Mississippi Code of 1972, and the rules and regulations of the Mississippi Board of Pharmacy, this registration to handle controlled substances is issued to the above named facility and is not transferable or assignable

Issued: 01-Jan-2012
Renewed: 23-Oct-2013
Expires: 31-Dec-2014

Frank Hamid

Executive Director

, RPh

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #2
SUPPLEMENTAL REQUEST #1**

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (this "Amendment") is entered into on the 20th day of September, 2010, to be effective for all purposes as of June 30, 2010, by and between WINDSOR AT CENTURY CENTER 1680 LLC, a Delaware limited liability company ("Landlord") and CORAM, INC., a Delaware corporation ("Tenant").

WHEREAS, Landlord, as a successor-in-interest to Industrial Developments International, Inc., and Tenant, as a successor-in-interest to Baxter Healthcare Corp., are parties to that certain Industrial Lease Agreement dated January 16, 1992 (the "Lease Agreement"), covering approximately 6,766 square feet of space (the "Demised Premises") known as Suite 12 in the building known as Building D located at 1680 Century Center Parkway, Memphis, Tennessee 38134 (the "Building") and being a part of the Century Center Business Park (the "Project"), as more particularly described therein;

WHEREAS, the Lease Agreement has been amended by that certain First Amendment to Industrial Lease Agreement dated as of July 22, 1997, that certain Second Amendment to Industrial Lease Agreement dated as of March 31, 2000, and that certain Third Amendment to Industrial Lease Agreement (the "Third Amendment") dated as of May 27, 2005 (the Lease Agreement, as amended, the "Lease");

WHEREAS, Landlord is now the owner of the Building and is the landlord under the Lease;

WHEREAS, the Term of the Lease currently expires on June 30, 2010, and Tenant desires to extend the Term for a period of five (5) years to expire on June 30, 2015;

WHEREAS, subject to the terms and conditions set forth below, Landlord has agreed to extend the Term of the Lease to expire on June 30, 2015; and

WHEREAS, Landlord and Tenant desire to amend the Lease to reflect their agreements as to the terms and conditions governing the extension of the Term.

NOW, THEREFORE, in consideration of the premises and the mutual covenants between the parties herein contained, Landlord and Tenant agree as follows:

1. Term. The Term of the Lease is hereby extended for a period of five (5) years to expire June 30, 2015, unless sooner terminated in accordance with the terms of the Lease. The period commencing on July 1, 2010 and ending on June 30, 2015 is referred to herein as the "Fourth Extended Term".

2. Minimum Rent. During the Fourth Extended Term, Tenant shall pay Minimum Rent for the Demised Premises as follows:

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| PERIOD | ANNUAL MINIMUM RENTAL RATE | ANNUAL MINIMUM RENT | MONTHLY INSTALLMENTS OF MINIMUM RENT |
|------------------|----------------------------|---------------------|--------------------------------------|
| 7/1/10 – 6/30/11 | \$10.95 | \$74,087.76 | \$6,173.98 |
| 7/1/11 – 6/30/12 | \$11.28 | \$76,320.48 | \$6,360.04 |
| 7/1/12 – 6/30/13 | \$11.62 | \$78,620.88 | \$6,551.74 |
| 7/1/13 – 6/30/14 | \$11.97 | \$80,989.08 | \$6,749.09 |
| 7/1/14 – 6/30/15 | \$12.32 | \$83,357.16 | \$6,946.43 |

All such Minimum Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended hereby. Simultaneously with Tenant's execution and delivery of this Amendment, Tenant shall pay to Landlord the amount of \$886.49, being the sum of (i) the difference between the monthly Minimum Rent due for the period of July 1, 2010 through September 30, 2010 pursuant to the foregoing schedule (i.e. \$18,521.94) and the monthly Minimum Rent actually paid by Tenant with respect to such period (i.e. \$17,760.75), plus (ii) \$125.30 in unpaid late fees previously incurred by Tenant.

3. Operating Expenses. During the Fourth Extended Term, Tenant shall continue to pay Tenant's proportionate share of all Operating Expenses in accordance with the terms of the Lease, as amended by Section 5 of the Third Amendment.

4. Acceptance of the Demised Premises. TENANT ACKNOWLEDGES THAT TENANT CURRENTLY OCCUPIES THE DEMISED PREMISES AND HEREBY ACCEPTS THE DEMISED PREMISES, THE BUILDING AND THE PROJECT (INCLUDING THE SUITABILITY OF THE DEMISED PREMISES FOR THE PERMITTED USE) IN "AS IS" CONDITION WITH ANY AND ALL FAULTS AND LATENT OR PATENT DEFECTS AND WITHOUT RELYING UPON ANY REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED) OF LANDLORD OR ANY REPRESENTATIVE OF LANDLORD. LANDLORD HAS NOT MADE AND DOES NOT HEREBY MAKE AND HEREBY SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE DEMISED PREMISES AND ITS CONDITION (INCLUDING WITHOUT LIMITATION ANY REPRESENTATION OR WARRANTY REGARDING QUALITY OF CONSTRUCTION, STATE OF REPAIR, WORKMANSHIP, HABITABILITY, MERCHANTABILITY, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE). Landlord shall not be required to perform any leasehold improvements or provide any improvement allowance in connection with this Amendment. Nothing in this Section 4 is intended to reduce or otherwise modify Landlord's repair and maintenance obligations contained in the Lease.

5. Addresses.

(a) Landlord's addresses under the Lease are hereby amended in their entireties to the following:

June 20, 2014

12:06 pm

Windsor at Century Center 1680 LLC
c/o GID Investment Advisors
125 High Street, 27th Floor
Boston, MA 02110
Attn: Melissa Fang

with a copy to:

Windsor at Century Center 1680 LLC
c/o GID Investment Advisors
125 High Street, 27th Floor
Boston, MA 02110
Attn: Asset Management

Payments of rent only shall be made payable to the order of Landlord at the following address:

Windsor at Century Center 1680 LLC
c/o Windsor at Century Center Holding LLC
P.O. Box 504258
St. Louis, MO 63150-4258

or such other name and address as Landlord shall, from time to time, designate.

(b) Tenant's addresses under the Lease are hereby amended in their entireties to the following:

Coram, Inc.
c/o Apria Healthcare, Inc.
26220 Enterprise Court
Lake Forest, California 92630
Attention: Real Estate Department

With a copy to the Premises

6. Expired Provisions. The right of first refusal provided under Special Stipulation 13 of Exhibit C of the Lease Agreement has expired by its terms and is of no further force or effect. Additionally, all rights previously granted to Tenant to extend or renew the Term of the Lease have expired and are of no further force or effect.

7. Brokers. Landlord and Tenant each warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment other than IDI Services Group, Inc. ("Landlord's Broker") and Corporate Realty Associates, Inc. ("Tenant's Broker") and that it knows of no other real estate brokers or agents who are or might be entitled to a commission in connection with this Amendment. Landlord agrees to pay a commission to Landlord's Broker and Tenant's Broker pursuant to separate written agreements entered into between Landlord and such brokers. Tenant agrees to indemnify and hold Landlord harmless from and against any liability or claim arising with respect to any brokers or agents other than

June 20, 2014

12:06 pm

Landlord's Broker and Tenant's Broker claiming a commission by, through, or under Tenant in connection with this Amendment. Landlord agrees to indemnify and hold Tenant harmless from and against any liability or claim arising with respect to any brokers or agents other than Landlord's Broker and Tenant's Broker claiming a commission by, through, or under Landlord in connection with this Amendment.

8. Estoppel. Tenant hereby represents that, to its actual knowledge: (i) there exists no breach, default or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Landlord under the Lease; (ii) the Lease continues to be a legal, valid and binding agreement and obligation of Tenant; and (iii) Tenant has no current offset or defense to its performance or obligations under the Lease. Landlord hereby represents that, to its actual knowledge, and subject to the payment of all amounts expressly required to be paid by Tenant upon the execution of this Amendment: (a) there exists no breach, default or event of default by Tenant under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default or event of default by Tenant under the Lease; (b) the Lease continues to be a legal, valid and binding agreement and obligation of Landlord; and (c) Landlord has no current offset or defense to its performance or obligations under the Lease.

9. Authority. Tenant and each person signing this Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly formed and validly existing under the laws of the State of Delaware, (ii) Tenant has and is qualified to do business in Tennessee, (iii) Tenant has the full right and authority to enter into this Amendment, and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.

10. Defined Terms. All defined terms used but not otherwise defined herein shall have the same meaning assigned to them in the Lease.

11. Ratification of Lease. Except as amended hereby, the Lease shall remain in full force and effect in accordance with its terms and is hereby ratified. In the event of a conflict between the Lease and this Amendment, this Amendment shall control. In no event shall Landlord be liable for any consequential, special or punitive damages as a result of any breach of or default under the Lease, as amended hereby, by Landlord.

12. No Representations. Landlord and Landlord's agents have made no representations or promises, express or implied, in connection with this Amendment except as expressly set forth herein.

13. Entire Agreement. This Amendment, together with the Lease, contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Amendment or the Lease, and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose.

14. Section Headings. The section headings contained in this Amendment are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several sections hereof.

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

15. Successors and Assigns. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

16. Severability. A determination that any provision of this Amendment is unenforceable or invalid shall not affect the enforceability or validity of any other provision hereof and any determination that the application of any provision of this Amendment to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.

17. Governing Law. This Amendment shall be governed by the laws of the State of Tennessee.


18. Submission of Amendment Not Offer. The submission by Landlord to Tenant of this Amendment for Tenant's consideration shall have no binding force or effect, shall not constitute an option, and shall not confer any rights upon Tenant or impose any obligations upon Landlord irrespective of any reliance thereon, change of position or partial performance. This Amendment is effective and binding on Landlord only upon the execution and delivery of this Amendment by Landlord and Tenant.

IN WITNESS WHEREOF, the parties have executed this Amendment to be effective as of June 30, 2010.

LANDLORD:

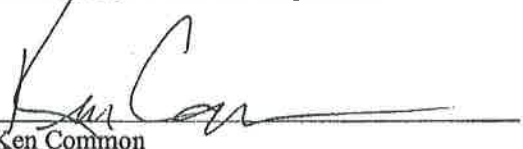
WINDSOR AT CENTURY CENTER 1680 LLC, a
Delaware limited liability company

By: Windsor at Century Center Holding LLC, a
Delaware limited liability company,
its managing member

By: 
Name: Richard G. Sullivan
Title: Vice President

TENANT:

CORAM, INC., a Delaware corporation

By: 
Ken Common
Vice President of Tenant's sole shareholder, Apria
Healthcare, Inc.

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #4
SUPPLEMENTAL REQUEST #1**

June 20, 2014

12:06 pm

Policies and Procedures

Coram Specialty Infusion Services
an Apria Healthcare Company

Policy: I306-080
Page: 1 of 4
Issued: 01/01/99
Revised: 04/30/10

Subject: **FIRST DOSE ADMINISTRATION**

PURPOSE

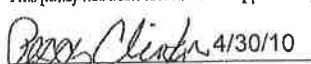

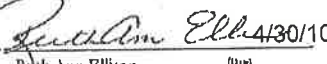
The purpose of this policy is to describe the guidelines for administration of the first dose of a medication in the home. The nurse and pharmacist shall review patient specific information in conjunction with the physician, prior to approving the administration of the first dose of a medication in the home.

DEFINITIONS

1. First dose - First lifetime dose of a medication.

BACKGROUND

1. Prior to the administration of a first dose, the potential for risk and adverse reactions will be assessed.
2. If there is increased risk of adverse reaction, the first dose shall be administered in a controlled medical environment, (i.e., hospital, physician's office or clinic, emergency room or Ambulatory Infusion Suite).
3. The nurse shall remain in the home for at least 30 minutes after the completion of a first dose infusion. If the first dose is a continuous infusion lasting more than one hour, the nurse shall stay for the first hour of that infusion. In the event that there is an adverse reaction, the nurse shall stay with the patient until the patient is stable or care has been transferred to an emergency care provider.
4. Additional requirements for first dose administration in the home.
 - 4.1. Back-up emergency services (911 service or ambulance availability)
 - 4.2. Access to working telephone
 - 4.3. Availability of referring physician (via telephone)
 - 4.4. Availability of caregiver (Must be present. If patient is a clinician, they may NOT act as their own caregiver.)
 - 4.5. Signed acute infusion reaction orders

| | | |
|--|---|---|
| CONFIDENTIAL: Exempt from disclosure under The Freedom of Information Act | | |
| This policy has been reviewed and approved by: | | |
|  Peggy Clinton (Nurse) National Director of Nursing |  Wanda Rogers (Pharmacist) National Director of Pharmacy |  Ruth Ann Ellison (Nurse) Dir. TQM, Licensing & Accreditation |

Confidential: For use only by employees and authorized agents of Coram Specialty Infusion Services an Apria Healthcare Company and its operating subsidiaries and affiliates. This document contains confidential and proprietary information NOT to be reproduced or disclosed to others without the prior written approval of Coram Specialty Infusion Services an Apria Healthcare Company.

June 20, 2014**12:06 pm**

Policies and Procedures

Coram Specialty Infusion Services
an Apria Healthcare Company

Policy: I306-080
Page: 2 of 4
Issued: 01/01/99
Revised: 04/30/10

Subject: **FIRST DOSE ADMINISTRATION**

5. Medications which MAY NOT be initiated in the home:

- 5.1. Asparaginase (Elspar®)
- 5.2. Muromonab-CD3 (OKT-3®)
- 5.3. Lymphocyte Immunoglobulin (Atgam®)
- 5.4. Tacrolimus (Prograf®)
- 5.5. Any medication or medication class to which the patient has a documented allergy.
- 5.6. If a medication has a black box warning indicating medical support is required, call Infusion Clinical Services prior to the administration.

PROCEDURE

1. Evaluation of first dose request - Patients referred for infusion therapy who have not previously received the ordered medication shall be screened by the admissions clinician, based on the following information:
 - 1.1. History of drug allergies - allergy history is evaluated based on type, severity, and duration of allergic reaction or anaphylaxis (i.e., chest tightness, difficult breathing, flushing, sweating, change in pulse or blood pressure)
 - 1.2. History and severity of adverse reaction to other medications
 - 1.3. Assessment of the overall health status of the patient
 - 1.4. Medical history of the patient
 - 1.4.1. History of asthma
 - 1.4.2. History of safe receipt of chemically similar medications
2. Clinical judgment shall be used to determine if first dose procedures shall be followed when changing from one medication to another in the same class (i.e., from one 3rd generation cephalosporin to another).
3. Medications with a high potential for significant adverse or infusion reactions shall be treated using the same first dose procedures (Remicade, IVIG). Refer to specific medication policies for details.
4. Criteria for first dose in the home
 - 4.1. If the patient is hospitalized, the clinician shall request administration of the medication in the controlled environment with clinical response monitoring prior to discharge.

June 20, 2014**12:06 pm**

Policies and Procedures

Coram Specialty Infusion Services
an Apria Healthcare Company

Policy: I306-080
Page: 3 of 4
Issued: 01/01/99
Revised: 04/30/10

Subject: **FIRST DOSE ADMINISTRATION**

- 4.2. Patients without a history of allergy or severe adverse reaction to the prescribed medication, or who have been determined by the clinician to have safely received a chemically similar medication in the past may be considered for first dose at the home.
- 4.3. Appropriate communication shall occur between the company clinician, the physician and the home health agency (if involved).
5. Patients with a history of asthma or serious adverse reactions, drug allergies, especially multiple allergies or anaphylaxis types of reactions to a medication in the past shall be admitted to service for home administration only after the first dose has been administered without sequelae in a controlled environment.
6. First Dose Administration
 - 6.1. Physician orders for appropriate interventions for adverse reactions or anaphylaxis shall be obtained from the patient's physician prior to initiation of therapy.
 - 6.2. The patient's vital signs are taken and recorded prior to the initiation of the first dose.
 - 6.3. The dose shall be administered beginning with a slow infusion for the first 5-10 minutes.
 - 6.4. The infusion rate may be increased to the ordered rate after 10 minutes if no adverse reaction is observed.
 - 6.5. Patient/caregiver instructions shall include signs and symptoms of potential adverse reactions and appropriate interventions (i.e., when to notify the physician or branch clinician).
7. Reactions to Medications
 - 7.1. At first sign of a possible reaction, STOP infusion immediately.
 - 7.2. Treat the patient according to the physician orders for an acute infusion reaction. (See the Acute Infusion Reaction policy for more information.)
 - 7.3. Call 911 for life-threatening reactions.
 - 7.4. The physician shall be notified and orders for further treatment discussed.
8. Documentation
 - 8.1. Medication administration shall be documented on the Nurse Visit Record.
 - 8.2. Documentation shall include
 - 8.2.1. the patient's tolerance of the medication administered

June 20, 2014

12:06 pm

Policies and Procedures

Coram Specialty Infusion Services
an Apria Healthcare Company

Policy: I306-080
Page: 4 of 4
Issued: 01/01/99
Revised: 04/30/10

Subject: **FIRST DOSE ADMINISTRATION**

- 8.2.2. any treatment or medication administered in the event of a reaction
- 8.2.3. transfer to emergency services or disposition of patient in the event of a severe reaction.
- 8.2.4. communication with the physician and other healthcare team members.

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #5
SUPPLEMENTAL REQUEST #1**

Home | Contact | Ethics | F. A. Q. | Filing Tools | Forms | Glossary | History | Links | Mortgage Calculator | Recording Statistics

Tom Leatherwood

Shelby County Register of Deeds

Property Data

Owner: INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF MEMPHIS AND COUNTY OF SHELBY TN (THE)

Property Address: 1680 CENTURY CENTER PKWY

Tax District: MEMPHIS

Parcel ID: 089046 00018

Tax Map: 117L TIFE PDF

Year Built: 1

Lot Number: WHITTEN/40 PUD PH 9

Subdivision Name: 158-74

Plat BK. & PG.: 252646 SF

Land Total: 6.80

Total Acres: 0 P O BOX 4900

Owner's address: EPROPERT TAX SCOTTSDALE, AZ 85281

Class: EXEMPT

Use: - LOFT MANUFOT

Zoning: RU-2

Taxes: County Tax Info

Memphis Tax Info

Appraisal: Appraisal Info

Recent and Comparable Sales Search

Property Transactions

Item 1

Inst #: -05104651

Inst Type: SPECIAL WARRANTY DEED

Sales Date: 07/01/2004

Sales Price:

Item 2

Inst #: -0510461

Inst Type: QUIT CLAIM

Sales Date: 11/28/1996

Sales Price:

Item 3

Inst #: -0510462

Inst Type: SPECIAL WARRANTY DEED

Sales Date: 11/28/1996

Sales Price: 13,240,000

Item 4

Inst #: -0510462

Inst Type: SPECIAL WARRANTY DEED


Sales Date: 11/28/1996

Sales Price: 13,240,000

NAD83 Coordinates

X Coordinate: 820021

Y Coordinate: 327823



Shelby County

Search Type: Address

1680 CENTURY CENTER PKW

To optimize search, leave street direction and type off, ie., MAIN instead of N MAIN ST.

Search

Clear

☒ Parcels

☒ Streets

☐ 2ft Contours - 2008

☐ FEMA Flood Plain

☐ Cemeteries

AERIALS

☐ Parks

☐ Streams

☐ Parcel IDs

☐ Soil Data

CITY BOUNDARIES

LEGENDS

Property data, transactions and parcels reflect information from the April 2013 certified tax roll. More recent information is available at [Property Search](#).

Property tax maps and parcel boundaries do not reflect accurate survey information or exact legal ownership boundaries but are only provided for general information purposes.

Property tax maps are provided to the County Register by the County Assessor's office "on or before October 1 of each year" according to T.C.A. 67-5-806.

Aerial Map - 2004 is from the 2004 USGS flyover. Parts of North and Southwest Shelby County were not included in this flyover.

FEMA data is based on their Q3 Flood Data product. More information is available at http://www.fema.gov/plan/prevent/hm/fq_q3.shtml.

Soil data is derived from the United States Department of Agriculture, Natural Resources Conservation Service. More information is available at <http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>.

Cemetery points were provided by the Shelby County Historical Commission and do not reflect accurate survey information or exact cemetery locations within parcels. The information provided is for general purposes only.

http://gis.register.shelby.tn.us/index.php?task=parcelQuery&parcelid=089046 00018... 6/18/2014

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #8
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

| County (A) | # Authorized Agencies* (B) | 2014 Pop** (C) | Patients served 2013 (D) | Use Rate (Patient/1,000 pop) (E) | 2018 Pop (F) | Projected Capacity (G) | Projected Need (H) | Additional Need (Surplus) for 2018 (G-H) |
|------------|----------------------------|----------------|--------------------------|----------------------------------|--------------|------------------------|--------------------|--|
| Benton | 16 | 16,257 | 667 | 41.0 | 16,104 | 661 | 242 | 419 |
| Carroll | 16 | 28,119 | 1,246 | 44.3 | 27,831 | 1,233 | 417 | 816 |
| Chester | 15 | 17,472 | 563 | 32.2 | 17,999 | 580 | 270 | 310 |
| Crockett | 15 | 14,596 | 537 | 36.8 | 14,683 | 540 | 220 | 320 |
| Decatur | 17 | 11,822 | 638 | 54.0 | 12,080 | 652 | 181 | 471 |
| Dyer | 14 | 38,218 | 1,671 | 43.7 | 38,427 | 1,680 | 576 | 1,104 |
| Fayette | 30 | 40,930 | 713 | 17.4 | 44,888 | 782 | 673 | 109 |
| Gibson | 17 | 51,102 | 1,924 | 37.7 | 52,163 | 1,964 | 782 | 1,182 |
| Hardeman | 21 | 26,359 | 917 | 34.8 | 26,067 | 907 | 391 | 516 |
| Hardin | 17 | 26,012 | 1,157 | 44.5 | 26,244 | 1,167 | 394 | 774 |
| Haywood | 20 | 18,117 | 612 | 33.8 | 18,009 | 608 | 270 | 338 |
| Henderson | 15 | 28,186 | 1,015 | 36.0 | 28,631 | 1,031 | 429 | 602 |
| Henry | 15 | 32,697 | 1,283 | 39.2 | 32,956 | 1,293 | 494 | 799 |
| Houston | 16 | 8,388 | 281 | 33.5 | 8,447 | 283 | 127 | 156 |
| Lake | 8 | 9,732 | 325 | 33.4 | 9,468 | 316 | 142 | 174 |
| Lauderdale | 19 | 27,341 | 857 | 31.3 | 27,125 | 850 | 407 | 443 |
| McNairy | 17 | 26,582 | 1,089 | 41.0 | 27,299 | 1,118 | 409 | 709 |
| Madison | 20 | 99,555 | 3,121 | 31.3 | 101,001 | 3,166 | 1,515 | 1,651 |
| Obion | 14 | 31,453 | 1,280 | 40.7 | 31,222 | 1,271 | 468 | 802 |
| Perry | 14 | 8,014 | 258 | 32.2 | 8,096 | 261 | 121 | 139 |
| Shelby | 28 | 943,812 | 18,064 | 19.1 | 954,012 | 18,259 | 14,310 | 3,949 |
| Stewart | 12 | 13,549 | 339 | 25.0 | 13,941 | 349 | 209 | 140 |
| Tipton | 29 | 63,865 | 1,298 | 20.3 | 67,545 | 1,373 | 1,013 | 360 |
| Wayne | 12 | 16,854 | 640 | 38.0 | 16,724 | 635 | 251 | 384 |
| Weakley | 18 | 38,522 | 1,180 | 30.6 | 39,491 | 1,210 | 592 | 617 |
| Total | -- | 1,637,554 | 41,675 | 25.4 | 1,660,453 | 42,190 | 24,907 | 17,283 |

* The official population source used by HSDA is the TN Dept. of Health, Division of Health Statistics' Population Projections, 2010-2020

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #9
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1**June 20, 2014****12:06 pm****Home Health Agencies that are Licensed to Serve Listed Counties**

| Agency County | Agency | Type |
|----------------------|--|-------------|
| Benton | Tennessee Quality Homecare - Northwest | Home |
| Carroll | Baptist Memorial Home Care & Hospice | Both |
| Davidson | Alere Women's and Children's Health, LLC | Home |
| Davidson | Amedisys Home Health (Cumberland Bend) | Home |
| Davidson | Amedisys Home Health (Glen Echo Rd) | Home |
| Davidson | Careall | Home |
| Davidson | Elk Valley Health Services Inc | Home |
| Davidson | Home Care Solutions, Inc | Home |
| Davidson | Willowbrook Home Health Care Agency | Home |
| Decatur | Tennessee Quality Homecare - Southwest | Home |
| Decatur | Volunteer Homecare of West Tennessee | Home |
| Dyer | Regional Home Care - Dyersburg | Home |
| Fayette | NHC Homecare | Home |
| Fayette | Where The Heart Is | Home |
| Gibson | NHC Homecare | Home |
| Gibson | Volunteer Home Care, Inc | Home |
| Hamilton | Amedisys Home Health | Home |
| Hardin | Deaconess Homecare II | Home |
| Hardin | Hardin Medical Center Home Health | Home |
| Henderson | Regional Home Care - Lexington | Home |
| Henry | Henry County Medical Center Home Health | Home |
| Hickman | St. Thomas Home Health | Home |
| Madison | Amedisys Home Health Care | Home |
| Madison | Extendicare Home Health of West Tennessee | Home |
| Madison | Intrepid USA Healthcare Services | Home |
| Madison | Medical Center Home Health | Home |
| Madison | Regional Home Care - Jackson | Home |
| Maury | Careall Homecare Services | Home |
| Maury | Maury Regional Home Services | Home |
| Maury | NHC Homecare | Home |
| Montgomery | Gateway Home Health Clarksville | Home |
| Montgomery | Suncrest Home Health of Nashville, Inc. | Home |
| Obion | Extendicare Home Health of Western Tennessee | Home |
| Other | Magnolia Regional Health Care Home Hospice | Both |
| Other | Regional Home Care Parkway | Home |
| Shelby | Accredo Health Group, Inc | Home |
| Shelby | Alere Women's and Children's Health LLC | Home |
| Shelby | Amedisys Home Care | Home |
| Shelby | Amedisys Home Health Care | Home |
| Shelby | Amedisys Tennessee, LLC | Home |
| Shelby | Americare Home Health Agency, Inc | Home |
| Shelby | Baptist Trinity Home Care | Home |
| Shelby | Baptist Trinity Home Care - Private Pay | Home |
| Shelby | Best Nurses, Inc. | Home |
| Shelby | Extended Health Care, Inc. | Home |
| Shelby | Family Home Health Agency | Home |
| Shelby | Functional Independence Home Care, Inc | Home |
| Shelby | Home Health Care of West Tennessee, Inc | Home |
| Shelby | Homechoice Health Services | Home |
| Shelby | Interim Healthcare of Memphis, Inc | Home |
| Shelby | Intrepid USA Healthcare Services | Home |
| Shelby | Maxim Healthcare Services, Inc. | Home |
| Shelby | Meritan, Inc. | Home |
| Shelby | Methodist Alliance Home Care | Home |
| Shelby | No Place Like Home, Inc | Home |

SUPPLEMENTAL #1

**June 20, 2014
12:06 pm**

| | | |
|-------------------------------------|---|------|
| Shelby | Still Waters Home Health Agency | Home |
| Shelby | Willowbrook Visiting Nurse Association | Home |
| Tipton | Baptist Home Care & Hospice - Covington | Both |
| Tipton | Careall Homecare Services | Home |
| Weakley | Careall Homecare Services | Home |
| Williamson | Guardian Home Care of Nashville, LLC | Home |
| Williamson | Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs | Home |
| Total Licensed Home Health Agencies | | 62 |

Source: Department of Health Licensure - 9/18/2013 (Updated as of 5/30/2014)

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

Home Health Agencies that are Licensed to Serve Listed Counties

| Agency County | Agency | Type | Patient County | County Contains Home Office | County Contains Branch Office |
|---|---|------|----------------|-----------------------------|-------------------------------|
| Benton | Tennessee Quality Homecare - Northwest | Home | Benton | Yes | No |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Benton | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Benton | No | No |
| Davidson | Home Care Solutions, Inc | Home | Benton | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Benton | No | No |
| Gibson | NHC Homecare | Home | Benton | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Benton | No | Yes |
| Henderson | Regional Home Care - Lexington | Home | Benton | No | No |
| Henry | Henry County Medical Center Home Health | Home | Benton | No | No |
| Hickman | St. Thomas Home Health | Home | Benton | No | No |
| Madison | Amedisys Home Health Care | Home | Benton | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Benton | No | No |
| Madison | Medical Center Home Health | Home | Benton | No | No |
| Madison | Regional Home Care - Jackson | Home | Benton | No | No |
| Tipton | Careall Homecare Services | Home | Benton | No | No |
| Weakley | Careall Homecare Services | Home | Benton | No | No |
| Number of Agencies Licensed to Serve Benton County | | | 16 | | |
| Benton | Tennessee Quality Homecare - Northwest | Home | Carroll | No | No |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Carroll | Yes | No |
| Davidson | Elk Valley Health Services Inc | Home | Carroll | No | No |
| Davidson | Home Care Solutions, Inc | Home | Carroll | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Carroll | No | No |
| Gibson | NHC Homecare | Home | Carroll | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Carroll | No | Yes |
| Henderson | Regional Home Care - Lexington | Home | Carroll | No | Yes |
| Henry | Henry County Medical Center Home Health | Home | Carroll | No | No |
| Madison | Amedisys Home Health Care | Home | Carroll | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Carroll | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Carroll | No | No |
| Madison | Medical Center Home Health | Home | Carroll | No | No |
| Madison | Regional Home Care - Jackson | Home | Carroll | No | No |
| Tipton | Careall Homecare Services | Home | Carroll | No | No |
| Weakley | Careall Homecare Services | Home | Carroll | No | Yes |
| Number of Agencies Licensed to Serve Carroll County | | | 16 | | |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Chester | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Chester | No | No |
| Davidson | Home Care Solutions, Inc | Home | Chester | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Chester | No | Yes |
| Decatur | Volunteer Homecare of West Tennessee | Home | Chester | No | No |
| Gibson | NHC Homecare | Home | Chester | No | No |
| Hardin | Deaconess Homecare II | Home | Chester | No | No |
| Hardin | Hardin Medical Center Home Health | Home | Chester | No | No |
| Henderson | Regional Home Care - Lexington | Home | Chester | No | No |
| Madison | Amedisys Home Health Care | Home | Chester | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Chester | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Chester | No | No |
| Madison | Medical Center Home Health | Home | Chester | No | No |
| Madison | Regional Home Care - Jackson | Home | Chester | No | No |
| Tipton | Careall Homecare Services | Home | Chester | No | Yes |
| Number of Agencies Licensed to Serve Chester County | | | 15 | | |

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| | | | | | |
|-----------|---|------|----------|----|-----|
| Carroll | Baptist Memorial Home Care & Hospice | Both | Crockett | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Crockett | No | No |
| Davidson | Home Care Solutions, Inc | Home | Crockett | No | No |
| Dyer | Regional Home Care - Dyersburg | Home | Crockett | No | No |
| Gibson | NHC Homecare | Home | Crockett | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Crockett | No | No |
| Henderson | Regional Home Care - Lexington | Home | Crockett | No | No |
| Madison | Amedisys Home Health Care | Home | Crockett | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Crockett | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Crockett | No | No |
| Madison | Medical Center Home Health | Home | Crockett | No | No |
| Madison | Regional Home Care - Jackson | Home | Crockett | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Crockett | No | No |
| Tipton | Careall Homecare Services | Home | Crockett | No | Yes |
| Weakley | Careall Homecare Services | Home | Crockett | No | No |

Number of Agencies Licensed to Serve Crockett County**15**

| | | | | | |
|-----------|---|------|---------|-----|----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Decatur | No | No |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Decatur | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Decatur | No | No |
| Davidson | Home Care Solutions, Inc | Home | Decatur | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Decatur | Yes | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Decatur | Yes | No |
| Gibson | NHC Homecare | Home | Decatur | No | No |
| Hardin | Deaconess Homecare II | Home | Decatur | No | No |
| Hardin | Hardin Medical Center Home Health | Home | Decatur | No | No |
| Henderson | Regional Home Care - Lexington | Home | Decatur | No | No |
| Madison | Amedisys Home Health Care | Home | Decatur | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Decatur | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Decatur | No | No |
| Madison | Medical Center Home Health | Home | Decatur | No | No |
| Madison | Regional Home Care - Jackson | Home | Decatur | No | No |
| Maury | Careall Homecare Services | Home | Decatur | No | No |
| Tipton | Careall Homecare Services | Home | Decatur | No | No |

Number of Agencies Licensed to Serve Decatur County**17**

| | | | | | |
|----------|--|------|------|-----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Dyer | No | No |
| Davidson | Home Care Solutions, Inc | Home | Dyer | No | No |
| Dyer | Regional Home Care - Dyersburg | Home | Dyer | Yes | No |
| Gibson | NHC Homecare | Home | Dyer | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Dyer | No | Yes |
| Madison | Amedisys Home Health Care | Home | Dyer | No | Yes |
| Madison | Extendicare Home Health of West Tennessee | Home | Dyer | No | Yes |
| Madison | Medical Center Home Health | Home | Dyer | No | No |
| Madison | Regional Home Care - Jackson | Home | Dyer | No | No |
| Obion | Extendicare Home Health of Western Tennessee | Home | Dyer | No | No |
| Shelby | Methodist Alliance Home Care | Home | Dyer | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Dyer | No | No |
| Tipton | Careall Homecare Services | Home | Dyer | No | No |
| Weakley | Careall Homecare Services | Home | Dyer | No | Yes |

Number of Agencies Licensed to Serve Dyer County**14**

| | | | | | |
|-----------|--------------------------------|------|---------|-----|----|
| Davidson | Elk Valley Health Services Inc | Home | Fayette | No | No |
| Davidson | Home Care Solutions, Inc | Home | Fayette | No | No |
| Fayette | NHC Homecare | Home | Fayette | Yes | No |
| Fayette | Where The Heart Is | Home | Fayette | Yes | No |
| Henderson | Regional Home Care - Lexington | Home | Fayette | No | No |

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| | | | | | |
|--|---|------|-----------|----|-----|
| Madison | Amedisys Home Health Care | Home | Fayette | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Fayette | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Fayette | No | No |
| Madison | Regional Home Care - Jackson | Home | Fayette | No | No |
| Shelby | Accredo Health Group, Inc | Home | Fayette | No | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Fayette | No | No |
| Shelby | Amedisys Home Care | Home | Fayette | No | No |
| Shelby | Amedisys Home Health Care | Home | Fayette | No | No |
| Shelby | Amedisys Tennessee, LLC | Home | Fayette | No | No |
| Shelby | Baptist Trinity Home Care | Home | Fayette | No | No |
| Shelby | Baptist Trinity Home Care - Private Pay | Home | Fayette | No | No |
| Shelby | Best Nurses, Inc. | Home | Fayette | No | No |
| Shelby | Extended Health Care, Inc. | Home | Fayette | No | No |
| Shelby | Family Home Health Agency | Home | Fayette | No | No |
| Shelby | Functional Independence Home Care, Inc | Home | Fayette | No | No |
| Shelby | Home Health Care of West Tennessee, Inc | Home | Fayette | No | No |
| Shelby | Homechoice Health Services | Home | Fayette | No | No |
| Shelby | Interim Healthcare of Memphis, Inc | Home | Fayette | No | No |
| Shelby | Intrepid USA Healthcare Services | Home | Fayette | No | No |
| Shelby | Maxim Healthcare Services, Inc. | Home | Fayette | No | No |
| Shelby | Methodist Alliance Home Care | Home | Fayette | No | No |
| Shelby | No Place Like Home, Inc | Home | Fayette | No | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Fayette | No | Yes |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Fayette | No | No |
| Tipton | Careall Homecare Services | Home | Fayette | No | No |
| Number of Agencies Licensed to Serve Fayette County | | | 30 | | |

| | | | | | |
|---|--|------|-----------|-----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Gibson | No | Yes |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Gibson | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Gibson | No | No |
| Davidson | Home Care Solutions, Inc | Home | Gibson | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Gibson | No | No |
| Dyer | Regional Home Care - Dyersburg | Home | Gibson | No | No |
| Gibson | NHC Homecare | Home | Gibson | Yes | No |
| Gibson | Volunteer Home Care, Inc | Home | Gibson | Yes | No |
| Henderson | Regional Home Care - Lexington | Home | Gibson | No | No |
| Madison | Amedisys Home Health Care | Home | Gibson | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Gibson | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Gibson | No | No |
| Madison | Medical Center Home Health | Home | Gibson | No | Yes |
| Madison | Regional Home Care - Jackson | Home | Gibson | No | No |
| Obion | Extendicare Home Health of Western Tennessee | Home | Gibson | No | No |
| Tipton | Careall Homecare Services | Home | Gibson | No | No |
| Weakley | Careall Homecare Services | Home | Gibson | No | Yes |
| Number of Agencies Licensed to Serve Gibson County | | | 17 | | |

| | | | | | |
|-----------|---|------|----------|----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Hardeman | No | No |
| Davidson | Home Care Solutions, Inc | Home | Hardeman | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Hardeman | No | No |
| Fayette | NHC Homecare | Home | Hardeman | No | No |
| Hardin | Deaconess Homecare II | Home | Hardeman | No | No |
| Henderson | Regional Home Care - Lexington | Home | Hardeman | No | No |
| Madison | Amedisys Home Health Care | Home | Hardeman | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Hardeman | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Hardeman | No | No |
| Madison | Medical Center Home Health | Home | Hardeman | No | Yes |
| Madison | Regional Home Care - Jackson | Home | Hardeman | No | No |
| Shelby | Accredo Health Group, Inc | Home | Hardeman | No | No |

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| | | | | | |
|--------|---|------|----------|----|-----|
| Shelby | Alere Women's and Children's Health LLC | Home | Hardeman | No | No |
| Shelby | Baptist Trinity Home Care - Private Pay | Home | Hardeman | No | No |
| Shelby | Extended Health Care, Inc. | Home | Hardeman | No | No |
| Shelby | Homechoice Health Services | Home | Hardeman | No | Yes |
| Shelby | Maxim Healthcare Services, Inc. | Home | Hardeman | No | No |
| Shelby | Methodist Alliance Home Care | Home | Hardeman | No | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Hardeman | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Hardeman | No | No |
| Tipton | Careall Homecare Services | Home | Hardeman | No | No |

Number of Agencies Licensed to Serve Hardeman County**21**

| | | | | | |
|-----------|--|------|--------|-----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Hardin | No | No |
| Davidson | Home Care Solutions, Inc | Home | Hardin | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Hardin | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Hardin | No | No |
| Hamilton | Amedisys Home Health | Home | Hardin | No | No |
| Hardin | Deaconess Homecare II | Home | Hardin | No | No |
| Hardin | Hardin Medical Center Home Health | Home | Hardin | Yes | No |
| Henderson | Regional Home Care - Lexington | Home | Hardin | No | No |
| Madison | Amedisys Home Health Care | Home | Hardin | No | Yes |
| Madison | Extendicare Home Health of West Tennessee | Home | Hardin | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Hardin | No | No |
| Madison | Medical Center Home Health | Home | Hardin | No | No |
| Madison | Regional Home Care - Jackson | Home | Hardin | No | No |
| Maury | Careall Homecare Services | Home | Hardin | No | Yes |
| Maury | NHC Homecare | Home | Hardin | No | No |
| Other | Magnolia Regional Health Care Home Hospice | Both | Hardin | No | No |
| Tipton | Careall Homecare Services | Home | Hardin | No | No |

Number of Agencies Licensed to Serve Hardin County**17**

| | | | | | |
|-----------|---|------|---------|----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Haywood | No | No |
| Davidson | Home Care Solutions, Inc | Home | Haywood | No | No |
| Fayette | NHC Homecare | Home | Haywood | No | No |
| Hardin | Deaconess Homecare II | Home | Haywood | No | No |
| Henderson | Regional Home Care - Lexington | Home | Haywood | No | No |
| Madison | Amedisys Home Health Care | Home | Haywood | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Haywood | No | Yes |
| Madison | Intrepid USA Healthcare Services | Home | Haywood | No | No |
| Madison | Medical Center Home Health | Home | Haywood | No | Yes |
| Madison | Regional Home Care - Jackson | Home | Haywood | No | No |
| Shelby | Accredo Health Group, Inc | Home | Haywood | No | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Haywood | No | No |
| Shelby | Baptist Trinity Home Care - Private Pay | Home | Haywood | No | No |
| Shelby | Extended Health Care, Inc. | Home | Haywood | No | No |
| Shelby | Homechoice Health Services | Home | Haywood | No | Yes |
| Shelby | Maxim Healthcare Services, Inc. | Home | Haywood | No | No |
| Shelby | Methodist Alllance Home Care | Home | Haywood | No | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Haywood | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Haywood | No | No |
| Tipton | Careall Homecare Services | Home | Haywood | No | Yes |

Number of Agencies Licensed to Serve Haywood County**20**

| | | | | | |
|----------|--|------|-----------|----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Henderson | No | No |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Henderson | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Henderson | No | No |
| Davidson | Home Care Solutions, Inc | Home | Henderson | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Henderson | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Henderson | No | Yes |

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| | | | | | |
|-----------|---|------|-----------|-----|-----|
| Gibson | NHC Homecare | Home | Henderson | No | No |
| Hardin | Deaconess Homecare II | Home | Henderson | No | No |
| Henderson | Regional Home Care - Lexington | Home | Henderson | Yes | No |
| Madison | Amedisys Home Health Care | Home | Henderson | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Henderson | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Henderson | No | Yes |
| Madison | Medical Center Home Health | Home | Henderson | No | No |
| Madison | Regional Home Care - Jackson | Home | Henderson | No | No |
| Tipton | Careall Homecare Services | Home | Henderson | No | No |

Number of Agencies Licensed to Serve Henderson County**15**

| | | | | | |
|-----------|---|------|-------|-----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Henry | No | Yes |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Henry | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Henry | No | No |
| Davidson | Home Care Solutions, Inc | Home | Henry | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Henry | No | No |
| Gibson | NHC Homecare | Home | Henry | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Henry | No | Yes |
| Henderson | Regional Home Care - Lexington | Home | Henry | No | No |
| Henry | Henry County Medical Center Home Health | Home | Henry | Yes | No |
| Madison | Amedisys Home Health Care | Home | Henry | No | Yes |
| Madison | Extendicare Home Health of West Tennessee | Home | Henry | No | Yes |
| Madison | Medical Center Home Health | Home | Henry | No | No |
| Madison | Regional Home Care - Jackson | Home | Henry | No | No |
| Tipton | Careall Homecare Services | Home | Henry | No | No |
| Weakley | Careall Homecare Services | Home | Henry | No | No |

Number of Agencies Licensed to Serve Henry County**15**

| | | | | | |
|------------|---|------|---------|----|----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Houston | No | No |
| Davidson | Alere Women's and Children's Health, LLC | Home | Houston | No | No |
| Davidson | Amedisys Home Health (Cumberland Bend) | Home | Houston | No | No |
| Davidson | Amedisys Home Health (Glen Echo Rd) | Home | Houston | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Houston | No | No |
| Davidson | Home Care Solutions, Inc | Home | Houston | No | No |
| Davidson | Willowbrook Home Health Care Agency | Home | Houston | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Houston | No | No |
| Henderson | Regional Home Care - Lexington | Home | Houston | No | No |
| Henry | Henry County Medical Center Home Health | Home | Houston | No | No |
| Maury | NHC Homecare | Home | Houston | No | No |
| Montgomery | Gateway Home Health Clarksville | Home | Houston | No | No |
| Montgomery | Suncrest Home Health of Nashville, Inc. | Home | Houston | No | No |
| Weakley | Careall Homecare Services | Home | Houston | No | No |
| Williamson | Guardian Home Care of Nashville, LLC | Home | Houston | No | No |
| Williamson | Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs | Home | Houston | No | No |

Number of Agencies Licensed to Serve Houston County**16**

| | | | | | |
|----------|--|------|------|----|----|
| Davidson | Elk Valley Health Services Inc | Home | Lake | No | No |
| Davidson | Home Care Solutions, Inc | Home | Lake | No | No |
| Dyer | Regional Home Care - Dyersburg | Home | Lake | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Lake | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Lake | No | No |
| Madison | Medical Center Home Health | Home | Lake | No | No |
| Obion | Extendicare Home Health of Western Tennessee | Home | Lake | No | No |
| Weakley | Careall Homecare Services | Home | Lake | No | No |

Number of Agencies Licensed to Serve Lake County**8**

| | | | | | |
|----------|--------------------------------|------|------------|----|----|
| Davidson | Elk Valley Health Services Inc | Home | Lauderdale | No | No |
|----------|--------------------------------|------|------------|----|----|

SUPPLEMENTAL #1

June 20, 2014

| | | | | | |
|----------|---|------|------------|-----------------|-----|
| Davidson | Home Care Solutions, Inc | Home | Lauderdale | 12:06 pm | No |
| Dyer | Regional Home Care - Dyersburg | Home | Lauderdale | No | No |
| Fayette | NHC Homecare | Home | Lauderdale | No | No |
| Madison | Amedisys Home Health Care | Home | Lauderdale | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Lauderdale | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Lauderdale | No | No |
| Madison | Regional Home Care - Jackson | Home | Lauderdale | No | No |
| Shelby | Accredo Health Group, Inc | Home | Lauderdale | No | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Lauderdale | No | No |
| Shelby | Amedisys Tennessee, LLC | Home | Lauderdale | No | No |
| Shelby | Baptist Trinity Home Care | Home | Lauderdale | No | No |
| Shelby | Extended Health Care, Inc. | Home | Lauderdale | No | No |
| Shelby | Home Health Care of West Tennessee, Inc | Home | Lauderdale | No | No |
| Shelby | Homechoice Health Services | Home | Lauderdale | No | No |
| Shelby | Methodist Alliance Home Care | Home | Lauderdale | No | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Lauderdale | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Lauderdale | No | No |
| Tipton | Careall Homecare Services | Home | Lauderdale | No | Yes |

Number of Agencies Licensed to Serve Lauderdale County 19

| | | | | | |
|-----------|---|------|---------|-----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Madison | No | No |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Madison | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Madison | No | No |
| Davidson | Home Care Solutions, Inc | Home | Madison | No | Yes |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Madison | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Madison | No | No |
| Fayette | NHC Homecare | Home | Madison | No | No |
| Gibson | NHC Homecare | Home | Madison | No | Yes |
| Gibson | Volunteer Home Care, Inc | Home | Madison | No | Yes |
| Hardin | Deaconess Homecare II | Home | Madison | No | No |
| Henderson | Regional Home Care - Lexington | Home | Madison | Yes | No |
| Madison | Amedisys Home Health Care | Home | Madison | Yes | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Madison | Yes | No |
| Madison | Intrepid USA Healthcare Services | Home | Madison | Yes | No |
| Madison | Medical Center Home Health | Home | Madison | Yes | No |
| Madison | Regional Home Care - Jackson | Home | Madison | No | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Madison | No | Yes |
| Shelby | Maxim Healthcare Services, Inc. | Home | Madison | No | Yes |
| Tipton | Careall Homecare Services | Home | Madison | No | No |
| Weakley | Careall Homecare Services | Home | Madison | No | No |

Number of Agencies Licensed to Serve Madison County 20

| | | | | | |
|-----------|--|------|---------|----|-----|
| Davidson | Elk Valley Health Services Inc | Home | McNairy | No | No |
| Davidson | Home Care Solutions, Inc | Home | McNairy | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | McNairy | No | Yes |
| Decatur | Volunteer Homecare of West Tennessee | Home | McNairy | No | No |
| Fayette | NHC Homecare | Home | McNairy | No | No |
| Hamilton | Amedisys Home Health | Home | McNairy | No | Yes |
| Hardin | Deaconess Homecare II | Home | McNairy | No | No |
| Hardin | Hardin Medical Center Home Health | Home | McNairy | No | No |
| Henderson | Regional Home Care - Lexington | Home | McNairy | No | No |
| Madison | Amedisys Home Health Care | Home | McNairy | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | McNairy | No | No |
| Madison | Intrepid USA Healthcare Services | Home | McNairy | No | No |
| Madison | Medical Center Home Health | Home | McNairy | No | Yes |
| Madison | Regional Home Care - Jackson | Home | McNairy | No | No |
| Maury | Careall Homecare Services | Home | McNairy | No | No |
| Other | Magnolia Regional Health Care Home Hospice | Both | McNairy | No | No |

SUPPLEMENTAL #1**June 20, 2014****12:06 pm**

| | | | | | |
|--|---|------|-----------|-----|-----|
| Tipton | Careall Homecare Services | Home | McNairy | No | No |
| Number of Agencies Licensed to Serve McNairy County | | | 17 | | |
| Benton | Tennessee Quality Homecare - Northwest | Home | Obion | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Obion | No | No |
| Davidson | Home Care Solutions, Inc | Home | Obion | No | No |
| Dyer | Regional Home Care - Dyersburg | Home | Obion | No | No |
| Gibson | NHC Homecare | Home | Obion | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Obion | No | Yes |
| Madison | Amedisys Home Health Care | Home | Obion | No | Yes |
| Madison | Extendicare Home Health of West Tennessee | Home | Obion | No | No |
| Madison | Medical Center Home Health | Home | Obion | No | No |
| Madison | Regional Home Care - Jackson | Home | Obion | No | No |
| Obion | Extendicare Home Health of Western Tennessee | Home | Obion | Yes | No |
| Other | Regional Home Care Parkway | Home | Obion | No | No |
| Tipton | Careall Homecare Services | Home | Obion | No | No |
| Weakley | Careall Homecare Services | Home | Obion | No | Yes |
| Number of Agencies Licensed to Serve Obion County | | | 14 | | |
| Benton | Tennessee Quality Homecare - Northwest | Home | Perry | No | No |
| Davidson | Careall | Home | Perry | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Perry | No | No |
| Davidson | Home Care Solutions, Inc | Home | Perry | No | No |
| Davidson | Willowbrook Home Health Care Agency | Home | Perry | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Perry | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Perry | No | No |
| Hardin | Deaconess Homecare II | Home | Perry | No | No |
| Hardin | Hardin Medical Center Home Health | Home | Perry | No | No |
| Henderson | Regional Home Care - Lexington | Home | Perry | No | No |
| Hickman | St. Thomas Home Health | Home | Perry | No | No |
| Maury | Careall Homecare Services | Home | Perry | No | No |
| Maury | NHC Homecare | Home | Perry | No | No |
| Williamson | Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs | Home | Perry | No | No |
| Number of Agencies Licensed to Serve Perry County | | | 14 | | |
| Davidson | Elk Valley Health Services Inc | Home | Shelby | No | No |
| Davidson | Home Care Solutions, Inc | Home | Shelby | No | No |
| Fayette | NHC Homecare | Home | Shelby | No | No |
| Fayette | Where The Heart Is | Home | Shelby | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Shelby | No | Yes |
| Shelby | Accredo Health Group, Inc | Home | Shelby | Yes | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Shelby | Yes | No |
| Shelby | Amedisys Home Care | Home | Shelby | Yes | No |
| Shelby | Amedisys Home Health Care | Home | Shelby | Yes | No |
| Shelby | Amedisys Tennessee, LLC | Home | Shelby | Yes | No |
| Shelby | Americare Home Health Agency, Inc | Home | Shelby | Yes | No |
| Shelby | Baptist Trinity Home Care | Home | Shelby | Yes | No |
| Shelby | Baptist Trinity Home Care - Private Pay | Home | Shelby | Yes | No |
| Shelby | Best Nurses, Inc. | Home | Shelby | No | No |
| Shelby | Extended Health Care, Inc. | Home | Shelby | Yes | No |
| Shelby | Family Home Health Agency | Home | Shelby | Yes | Yes |
| Shelby | Functional Independence Home Care, Inc | Home | Shelby | Yes | No |
| Shelby | Home Health Care of West Tennessee, Inc | Home | Shelby | Yes | No |
| Shelby | Homechoice Health Services | Home | Shelby | Yes | Yes |
| Shelby | Interim Healthcare of Memphis, Inc | Home | Shelby | Yes | No |
| Shelby | Intrepid USA Healthcare Services | Home | Shelby | Yes | No |
| Shelby | Maxim Healthcare Services, Inc. | Home | Shelby | Yes | No |
| Shelby | Meritan, Inc. | Home | Shelby | Yes | No |

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

| | | | | | |
|--------|---|------|--------|-----|----|
| Shelby | Methodist Alliance Home Care | Home | Shelby | Yes | No |
| Shelby | No Place Like Home, Inc | Home | Shelby | Yes | No |
| Shelby | Still Waters Home Health Agency | Home | Shelby | Yes | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Shelby | Yes | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Shelby | No | No |

Number of Agencies Licensed to Serve Shelby County

28

| | | | | | |
|------------|---|------|---------|----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Stewart | No | Yes |
| Davidson | Amedisys Home Health (Glen Echo Rd) | Home | Stewart | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Stewart | No | No |
| Davidson | Home Care Solutions, Inc | Home | Stewart | No | No |
| Davidson | Willowbrook Home Health Care Agency | Home | Stewart | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Stewart | No | No |
| Henry | Henry County Medical Center Home Health | Home | Stewart | No | No |
| Maury | NHC Homecare | Home | Stewart | No | No |
| Montgomery | Gateway Home Health Clarksville | Home | Stewart | No | Yes |
| Montgomery | Suncrest Home Health of Nashville, Inc. | Home | Stewart | No | No |
| Weakley | Careall Homecare Services | Home | Stewart | No | No |
| Williamson | Guardian Home Care of Nashville, LLC | Home | Stewart | No | No |

Number of Agencies Licensed to Serve Stewart County

12

| | | | | | |
|----------|---|------|--------|-----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Tipton | No | No |
| Davidson | Home Care Solutions, Inc | Home | Tipton | No | No |
| Fayette | NHC Homecare | Home | Tipton | No | No |
| Fayette | Where The Heart Is | Home | Tipton | No | No |
| Madison | Amedisys Home Health Care | Home | Tipton | No | No |
| Madison | Extencicare Home Health of West Tennessee | Home | Tipton | No | No |
| Madlson | Intrepid USA Healthcare Services | Home | Tipton | No | No |
| Madison | Regional Home Care - Jackson | Home | Tipton | No | No |
| Shelby | Accredo Health Group, Inc | Home | Tipton | No | No |
| Shelby | Alere Women's and Children's Health LLC | Home | Tipton | No | No |
| Shelby | Amedisys Home Care | Home | Tipton | No | No |
| Shelby | Amedisys Home Health Care | Home | Tipton | No | No |
| Shelby | Amedisys Tennessee, LLC | Home | Tipton | No | Yes |
| Shelby | Americare Home Health Agency, Inc | Home | Tipton | No | No |
| Shelby | Baptist Trinity Home Care | Home | Tipton | No | No |
| Shelby | Baptist Trinity Home Care - Private Pay | Home | Tipton | No | No |
| Shelby | Best Nurses, Inc. | Home | Tipton | No | No |
| Shelby | Extended Health Care, Inc. | Home | Tipton | No | No |
| Shelby | Functional Independence Home Care, Inc | Home | Tipton | No | No |
| Shelby | Home Health Care of West Tennessee, Inc | Home | Tipton | No | Yes |
| Shelby | Homechoice Health Services | Home | Tipton | No | Yes |
| Shelby | Interim Healthcare of Memphis, Inc | Home | Tipton | No | No |
| Shelby | Intrepid USA Healthcare Services | Home | Tipton | No | No |
| Shelby | Maxim Healthcare Services, Inc. | Home | Tipton | No | No |
| Shelby | Methodist Alliance Home Care | Home | Tipton | No | Yes |
| Shelby | No Place Like Home, Inc | Home | Tipton | No | No |
| Shelby | Willowbrook Visiting Nurse Association | Home | Tipton | No | No |
| Tipton | Baptist Home Care & Hospice - Covington | Both | Tipton | Yes | No |
| Tipton | Careall Homecare Services | Home | Tipton | Yes | No |

Number of Agencies Licensed to Serve Tipton County

29

| | | | | | |
|----------|--|------|-------|----|-----|
| Davidson | Elk Valley Health Services Inc | Home | Wayne | No | No |
| Davidson | Home Care Solutions, Inc | Home | Wayne | No | No |
| Davidson | Willowbrook Home Health Care Agency | Home | Wayne | No | No |
| Decatur | Tennessee Quality Homecare - Southwest | Home | Wayne | No | Yes |
| Decatur | Volunteer Homecare of West Tennessee | Home | Wayne | No | Yes |
| Hardin | Deaconess Homecare II | Home | Wayne | No | Yes |

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

| | | | | | |
|------------|---|------|-------|----|----|
| Hardin | Hardin Medical Center Home Health | Home | Wayne | No | No |
| Henderson | Regional Home Care - Lexington | Home | Wayne | No | No |
| Maury | Careall Homecare Services | Home | Wayne | No | No |
| Maury | Maury Regional Home Services | Home | Wayne | No | No |
| Maury | NHC Homecare | Home | Wayne | No | No |
| Williamson | Vanderbilt HC Affiliated w/Walgreens IV & RT Svcs | Home | Wayne | No | No |

Number of Agencies Licensed to Serve Wayne County

12

| | | | | | |
|-----------|--|------|---------|-----|-----|
| Benton | Tennessee Quality Homecare - Northwest | Home | Weakley | No | Yes |
| Carroll | Baptist Memorial Home Care & Hospice | Both | Weakley | No | No |
| Davidson | Elk Valley Health Services Inc | Home | Weakley | No | No |
| Davidson | Home Care Solutions, Inc | Home | Weakley | No | No |
| Decatur | Volunteer Homecare of West Tennessee | Home | Weakley | No | No |
| Gibson | NHC Homecare | Home | Weakley | No | No |
| Gibson | Volunteer Home Care, Inc | Home | Weakley | No | No |
| Henderson | Regional Home Care - Lexington | Home | Weakley | No | No |
| Henry | Henry County Medical Center Home Health | Home | Weakley | No | No |
| Madison | Amedisys Home Health Care | Home | Weakley | No | No |
| Madison | Extendicare Home Health of West Tennessee | Home | Weakley | No | No |
| Madison | Intrepid USA Healthcare Services | Home | Weakley | No | No |
| Madison | Medical Center Home Health | Home | Weakley | No | No |
| Madison | Regional Home Care - Jackson | Home | Weakley | No | Yes |
| Obion | Extendicare Home Health of Western Tennessee | Home | Weakley | No | No |
| Other | Regional Home Care Parkway | Home | Weakley | No | No |
| Tipton | Careall Homecare Services | Home | Weakley | No | No |
| Weakley | Careall Homecare Services | Home | Weakley | Yes | Yes |

Number of Agencies Licensed to Serve Weakley County

18

Source: Department of Health Licensure - 9/18/2013 (Updated as of 5/30/2014)

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #11
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1**June 20, 2014****12:06 pm****ATTACHMENT TO QUESTION #11, SUPPLEMENTAL REQUEST #1**
Memphis Pharmacy Branch Patients, Tennessee Residents by Patient County

| Patient County | Number of Patient Therapies | Percent of Total | Cumulative Percent of Total |
|--------------------------|-----------------------------|------------------|-----------------------------|
| Benton | 62 | 2.5% | 2.5% |
| Carroll | 15 | 0.6% | 3.0% |
| Chester | 0 | 0.0% | 3.0% |
| Crockett | 0 | 0.0% | 3.0% |
| Decatur | 4 | 0.2% | 3.2% |
| Dyer | 59 | 2.3% | 5.5% |
| Fayette | 24 | 0.9% | 6.5% |
| Gibson | 25 | 1.0% | 7.5% |
| Hardeman | 42 | 1.7% | 9.1% |
| Hardin | 2 | 0.1% | 9.2% |
| Haywood | 9 | 0.4% | 9.6% |
| Henderson | 0 | 0.0% | 9.6% |
| Henry | 4 | 0.2% | 9.7% |
| Houston | 0 | 0.0% | 9.7% |
| Lake | 8 | 0.3% | 10.0% |
| Lauderdale | 32 | 1.3% | 11.3% |
| McNairy | 17 | 0.7% | 12.0% |
| Madison | 38 | 1.5% | 13.5% |
| Obion | 5 | 0.2% | 13.7% |
| Perry | 0 | 0.0% | 13.7% |
| Shelby | 1,705 | 67.4% | 81.1% |
| Stewart | 0 | 0.0% | 81.1% |
| Tipton | 96 | 3.8% | 84.9% |
| Wayne | 0 | 0.0% | 84.9% |
| Weakley | 21 | 0.8% | 85.8% |
| Rest of Tennessee | 360 | 14.2% | 100.0% |
| Total Tennessee Patients | 2,528 | 100.0% | -- |

*Source: Pharmacy Patient Analysis, Memphis Branch.**Note: Excludes out of State Residents who are provided pharmacy products from the Memphis Branch*

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #12
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

| Demographic Variable/ Geographic Area | Total Population- Current Year | Total Population- Projected Year | Total Population-% change | *Target Population- Current Year (Under 65) | *Target Population- Projected Year | Target Population-% change | Target Population- Projected Year as % of Total | Median Age | Median Household Income | TennCare Enrollees | TennCare Enrollees as % of Total | Persons Below Poverty Level | Persons Below Poverty Level as % of Total |
|--|-----------------------------------|-------------------------------------|------------------------------|--|---------------------------------------|-------------------------------|---|------------|----------------------------|--------------------|-------------------------------------|--------------------------------|--|
| Benton | 16,257 | 16,104 | -0.9% | 12,559 | 12,240 | -2.5% | 76% | 46.4 | \$32,727 | 3,392 | 20.9% | 3,316 | 20.4% |
| Carroll | 28,119 | 27,831 | -1.0% | 22,573 | 22,059 | -2.3% | 79% | 42.3 | \$34,438 | 6,621 | 23.5% | 5,399 | 19.2% |
| Chester | 17,472 | 17,999 | 3.0% | 14,723 | 15,073 | 2.4% | 84% | 36.8 | \$45,050 | 3,347 | 19.2% | 2,953 | 16.9% |
| Crockett | 14,596 | 14,683 | 0.6% | 12,046 | 12,039 | -0.1% | 82% | 39.9 | \$37,014 | 3,473 | 23.8% | 2,802 | 19.2% |
| Decatur | 11,822 | 12,080 | 2.2% | 9,243 | 9,446 | 2.2% | 78% | 44.8 | \$32,491 | 2,458 | 20.8% | 2,471 | 20.9% |
| Dyer | 38,218 | 38,427 | 0.5% | 31,945 | 31,626 | -1.0% | 82% | 39.7 | \$40,886 | 9,065 | 23.7% | 7,338 | 19.2% |
| Fayette | 40,930 | 44,888 | 9.7% | 33,975 | 36,763 | 8.2% | 82% | 42.8 | \$57,691 | 5,784 | 14.1% | 5,403 | 13.2% |
| Gibson | 51,102 | 52,163 | 2.1% | 42,314 | 42,952 | 1.5% | 82% | 40.1 | \$38,472 | 11,238 | 22.0% | 9,505 | 18.6% |
| Hardeman | 26,359 | 26,067 | -1.1% | 22,129 | 21,517 | -2.8% | 83% | 39.5 | \$28,849 | 6,085 | 23.1% | 6,063 | 23.0% |
| Hardin | 26,012 | 26,244 | 0.9% | 20,615 | 20,412 | -1.0% | 78% | 44.7 | \$29,637 | 6,171 | 23.7% | 5,775 | 22.2% |
| Haywood | 18,117 | 18,009 | -0.6% | 15,351 | 14,968 | -2.5% | 83% | 39.6 | \$35,634 | 5,224 | 28.8% | 3,841 | 21.2% |
| Henderson | 28,186 | 28,631 | 1.6% | 23,449 | 23,399 | -0.2% | 82% | 40.1 | \$39,117 | 5,983 | 21.2% | 4,933 | 17.5% |
| Henry | 32,697 | 32,956 | 0.8% | 25,761 | 25,680 | -0.3% | 78% | 45 | \$36,333 | 6,882 | 21.0% | 5,689 | 17.4% |
| Houston | 8,388 | 8,447 | 0.7% | 3,745 | 6,687 | 78.6% | 79% | 42.6 | \$36,806 | 1,614 | 19.2% | 1,820 | 21.7% |
| Lake | 9,732 | 9,468 | -2.7% | 8,598 | 8,250 | -4.0% | 87% | 38.1 | \$31,491 | 1,948 | 20.0% | 2,949 | 30.3% |
| Lauderdale | 27,341 | 27,125 | -0.8% | 23,507 | 22,931 | -2.5% | 85% | 36.9 | \$33,725 | 6,899 | 25.2% | 7,136 | 26.1% |
| McNairy | 26,582 | 27,299 | 2.7% | 21,518 | 21,834 | 1.5% | 80% | 42.4 | \$34,329 | 6,690 | 25.2% | 6,247 | 23.5% |
| Madison | 99,555 | 101,001 | 1.5% | 85,205 | 85,163 | 0.0% | 84% | 37.2 | \$38,518 | 20,841 | 20.9% | 18,219 | 18.3% |
| Obion | 31,453 | 31,222 | -0.7% | 25,531 | 24,987 | -2.1% | 80% | 42.1 | \$43,647 | 6,545 | 20.8% | 5,378 | 17.1% |
| Perry | 8,014 | 8,096 | 1.0% | 6,307 | 6,187 | -1.9% | 76% | 43.7 | \$31,247 | 1,819 | 22.7% | 1,939 | 24.2% |
| Shelby | 943,812 | 954,012 | 1.1% | 835,242 | 829,066 | -0.7% | 87% | 35.1 | \$43,861 | 226,651 | 24.0% | 190,650 | 20.2% |
| Stewart | 13,549 | 13,941 | 2.9% | 11,039 | 11,226 | 1.7% | 81% | 43.9 | \$48,100 | 2,530 | 18.7% | 2,710 | 20.0% |
| Tipton | 63,865 | 67,545 | 5.8% | 55,823 | 58,178 | 4.2% | 86% | 37.1 | \$54,409 | 11,514 | 18.0% | 8,941 | 14.0% |
| Wayne | 16,854 | 16,724 | -0.8% | 13,849 | 13,505 | -2.5% | 81% | 41.6 | \$32,721 | 2,864 | 17.0% | 3,489 | 20.7% |
| Weakley | 38,522 | 39,491 | 2.5% | 32,692 | 33,273 | 1.8% | 84% | 36.9 | \$36,189 | 6,458 | 16.8% | 7,897 | 20.5% |
| Total | 1,637,554 | 1,660,453 | 1.4% | 1,409,739 | 1,409,461 | 0.0% | 85% | 37.1 | \$41,684 | 372,096 | 22.7% | 322,862 | 19.7% |

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #22
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1

June 20, 2014

12:06 pm



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
5904 LYONS VIEW PIKE
KNOXVILLE, TENNESSEE 37919

February 4, 2013

Ms. Grace Chambliss, Administrator
Coram Alternate Site Services, Inc.
Attn: Licensure and Certification
555 17th Street, Suite 1500
Denver, CO 80202

Re: Coram Specialty Infusion Services, an Apria Healthcare Company
2970 Sidco Drive, Nashville, TN 37204-3715

Dear Ms. Chambliss:

The East Tennessee Regional Office conducted an initial licensure survey at your facility on January 30, 2013. As a result of the survey, no deficient practice was found.

If our office may be of assistance to you, please feel free to call (865) 588-5656.

Sincerely,

Karen B. Kirby

Karen B. Kirby, RN
Regional Administrator

KBK/dt

Enclosure

SUPPLEMENTAL #1

June 20, 2014

12:06 pm PRINTED: 01/31/2013
FORM APPROVED

Division of Health Care Facilities

| | | | | | | | |
|---|--|--|--|--|--|---|--------------------------|
| STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION | | (X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNHL225 | | (X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____ | | (X3) DATE SURVEY COMPLETED 01/30/2013 | |
| NAME OF PROVIDER OR SUPPLIER CORAM SPECIALTY INFUSION SERVICES | | | | STREET ADDRESS, CITY, STATE, ZIP CODE 2970 SIDCO DRIVE NASHVILLE, TN 37204 | | | |
| (X4) ID PREFIX TAG | SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION) | | | ID PREFIX TAG | PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY) | | (X5) COMPLETE DATE |
| H 001 | 1200-8-26 Initial. During the Initial Licensure Survey conducted at Coram Alternate Site Services, on January 30, 2013, no deficiencies were cited under Chapter 1200-8-8 Standards for Home Health Care Organizations. | | | H 001 | | | |

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

6690

MCZK11

If continuation sheet 1 of 1

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**ATTACHMENT TO QUESTION #23
SUPPLEMENTAL REQUEST #1**

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

**The Commercial Appeal
Affidavit of Publication**

STATE OF TENNESSEE

COUNTY OF SHELBY

Personally appeared before me, Patrick Maddox, a Notary Public, Helen Curl, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that she is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following editions of The Commercial Appeal to-wit:

June 4, 2014

Helen Curl

Subscribed and sworn to before me this 11th day of June, 2014.

Patrick Maddox Notary Public

My commission expires February 15, 2016



My Commission Expires 02/15/2016

THE LAUDERDALE COUNTY ENTERPRISE
Ripley, Tennessee 38063

Ripley, Tenn., 6/6, 2014

I, Terry Ford, hereby make oath that the attached publication appeared in
The Lauderdale County Enterprise for 1 consecutive weeks, in issues of _____

June 5, 2014

TERRY FORD, Owner

Per Angela Hunter

Printer's Fee \$ 75.60 paid

Sworn to and subscribed before me, this 6th

day of June, 2014

My commission expires Oct. 18, 2014

Carolyn Seaton



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THIS IS IMPROVED PROPERTY
KNOWN AS 36 JACOBS DRIVE, HALLS,
TENNESSEE 38040.
MAP 016J GRP A CTRL MAP 016I
PARCEL 002.00

THE SALE OF THE SUBJECT
PROPERTY IS WITHOUT WARRANT-
TY OF ANY KIND, AND IS FURTHER
SUBJECT TO THE RIGHT OF ANY
TENANT(S) OR OTHER PARTIES
OR ENTITIES IN POSSESSION OF
THE PROPERTY.

THIS SALE IS SUBJECT TO ANY
UNPAID TAXES, IF ANY, ANY PRIOR
LIENS OR ENCUMBRANCES LEAS-
ES, EASEMENTS AND ALL OTHER
MATTERS WHICH TAKE PRIORITY
OVER THE DEED OF TRUST UN-
DER WHICH THIS FORECLOSURE
SALE IS CONDUCTED, INCLUDING
BUT NOT LIMITED TO THE PRIOR-
ITY OF ANY FIXTURE FILING. IF
THE U.S. DEPARTMENT OF THE
TREASURY/ INTERNAL REVENUE
SERVICE, THE STATE OF TENNES-
SEE DEPARTMENT OF REVENUE,
OR THE STATE OF TENNESSEE
DEPARTMENT OF LABOR AND
WORK FORCE DEVELOPMENT
ARE LISTED AS INTERESTED PAR-
TIES IN THE ADVERTISEMENT.

AUCTIONS

35 Residential, Commercial and
Undeveloped Properties Selling in 65 Tracts
in 7 Counties in West TN and MS



Closes June 12 ■ Beginning at 10:00 AM CT

McEMORE AUCTION 615-517-7675
COMPANY, LLC Bid Online
10% Buyer's Premium
www.mcmoreauktion.com

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 8, 2014.

The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street, Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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Buffalo River Review

PO Box 914 • 115 South Mill St.
Linden, TN 37096
(931)589-2169 • Fax (931)589-3858

SUPPLEMENTAL #1

June 20, 2014
Email Addresses
12:06 pm
Ads or General Information:
brreview@tds.net
News Copy Only:
brreditor@tds.net

Website:
www.buffaloriverreview.com

RE: Notice of Intent to Apply

AFFIDAVIT OF PUBLICATION

STATE OF TENNESSEE
COUNTY OF PERRY

I, Sherri Groom, do swear that I am General Manager of the *Buffalo River Review*, a weekly newspaper published in Perry County, Tennessee, Town of Linden, having an actual and bona fide circulation in Perry County and that the NOTICE, of which the annexed and attached is a true copy, was published for one (1) week, as follows, to-wit:

Wednesday, June 4, 2014

Sherri Groom

Sherri Groom, General Manager
The *Buffalo River Review*

Subscribed and sworn to before me this 19th day of June, 2014.

Ginger Edwards

Ginger Edwards, Notary Public

My commission expires April 30, 2017



PUBLIC NOTICES

SUPPLEMENTAL #1

June 20, 2014

Legal Notices can be viewed at our website: www.buffaloriverreview.com under the Public Notices tab. Other TPA newspapers posting legal notices online may be found by visiting: www.tnpublicnotices.com (a division of tnpress.com).

NOTICE
The Town of Linden Water System Consumer Confidence Report, in its entirety, will be published in the Buffalo River Review the week of June 11, 2014. This report will not be direct mailed to customers. You may request a copy by calling 931-589-2820.

First Publication Date: June 4, 2014

FORECLOSURE SALE NOTICE
WHEREAS, Christine R. Guterman and husband, Jeffrey M. Guterman, by Deed of Trust, dated September 24, 2013, of record in Book 111, page 600, Register's Office of Perry County, Tennessee, conveyed to Bryan D. Spicer, Trustee, the herein-after described real property to secure

payment of a promissory note as described in said Deed of Trust, and
The Lender has complied with TCA 35-5-117 by mailing debtor Notice of Right to Foreclose, WHEREAS, default having occurred with respect to the note secured by the Deed of Trust, and the full balance owing having been accelerated; and
WHEREAS, Michael Hankins, as the owner and holder of said note, has demanded that the real property covered by the Deed of Trust be advertised and sold in satisfaction of said debt and the cost of the foreclosure, in accordance with the terms and provision of said note and Deed of Trust.

NOW THEREFORE, notice is hereby given that I, Bryan D. Spicer, Trustee, pursuant to the power, duty and authority vested in and imposed upon me in said Deed of Trust, will on June 28, 2014 at 10:30 a.m. Central Time, at the front door of the Perry County Courthouse in Linden, Perry County, Tennessee, offer for sale to the highest and best bidder for cash and free from all rights and equity of redemption, statutory or otherwise, homestead, dower and all other rights and exemptions of every kind as provided in said Deed of Trust, certain real property situated in the First (1st) Civil District of Perry County, Tennessee, lying north of and adjacent to East Whitlock Road and being more particularly described as follows:

Map 123, parcel 2.02
BEGINNING at a point in the center of East Whitlock Road, said point being the Southwest corner of Benjamin Bailey as recorded in Deed Book V-25, Page 729, Register's Office of Perry County, Tennessee, and being the Southeast corner of the tract being described; thence leaving Bailey with center of road North 89 degrees, 47 minutes, 03 seconds West 28.00 feet, South 84 degrees, 03 minutes, 50 seconds West 150.48 feet, South 85 degrees, 49 minutes, 08 seconds West 77.35 feet, South 85 degrees, 11 minutes, 32 seconds West 264.18 feet, North 89 degrees, 07 minutes, 32 seconds West 115.03 feet, North 85 degrees 19 minutes, 13 seconds West 523.79 feet, North 80 degrees, 58 minutes, 26 seconds West 136.29 feet, North 74 degrees, 18 minutes, 59 seconds West 453.16 feet, North 70 degrees, 18 minutes, 33 seconds West 10.40 feet to a point, said point being the Southeast corner of Johnny Wheat as recorded in Deed Book N17, Page 157, Register's Office of Perry County, Tennessee, and being the Southwest corner of the tract being described; thence leaving center of road with Wheat North 8 degrees, 24 minutes, 02 seconds East, and passing a 1/2 inch rebar iron pin set with Identification cap "Brewer 2393" at 25.49 feet, in all 2387.84 feet to a 21 inch beach, said beach being in the South boundary of Norris McMorris as recorded in the Deed Book B-5, Page 413, Register's Office of Perry County, Tennessee, and being the Northwest corner of the tract being described; thence leaving Wheat with McMorris

South 85 degrees, 55 minutes, 06 seconds East 373.86 feet to an 12 inch Black Oak, North 85 degrees, 20 minutes, 04 seconds East 98.43 feet to an 1/2 inch hickory, South 74 degrees, 47 minutes, 15 seconds East 89.41 feet to an 10 inch black gum, South 82 degrees, 48 minutes, 09 seconds East 202.30 feet to an 1/2 inch black oak, South 87 degrees, 20 minutes, 36 seconds East 249.53 feet to a 1/2 inch black oak, South 77 degrees 24 minutes, 55 seconds East 97.59 feet to a 14 inch black oak, South 83 degrees, 27 minutes, 12 seconds East 160.37 feet to a 1/2 inch rebar iron pin set with Identification cap "Brewer 2393" at a rock pile found, North 7 degrees, 24 minutes, 57 seconds East 110.18 feet to a 17 inch black gum, said black gum being a corner of Terry Neil Richardson as recorded in Deed Book G-19, Page 491, Register's Office of Perry County, Tennessee; thence leaving McMorris with Richardson South 80 degrees, 14 minutes, 04 seconds East 429.00 feet to a 1/2 inch rebar iron pin set with Identification cap "Brewer 2393", said iron pin being the Northwest corner of Benjamin Bailey, and being the Northeast corner of the tract being described; thence leaving Richardson with Bailey South 7 degrees, 10 minutes, 44 seconds West, and passing a 1/2 inch rebar iron pin set with Identification cap "Brewer 2393" at 2419.64 feet, in all 2444.83 feet to the point of the beginning and containing 97.00 acres, as surveyed by Scottie Brewer, R.L.S., TN License Number 2393, September 6, 2008.

Being the same property as conveyed to Christine R. Guterman and husband Jeffrey M. Guterman by deed of Michael Hankins and wife, Lisa Hankins, of record in Book 111, Page 600, Register's Office of Perry County, Tennessee.
The above described tract is subject to any and/or all power utility right-of-way's and/or easements.
The above described tract is subject to a portion of the right-of-way of Howell Fork Road.
This conveyance is being made subject to Deed of Trust executed by Michael P. Hankins, to William E. Bates, Trustee, dated July 30, 2012, of record in Book 108, page 484, Register's Office for Perry County, Tennessee, to secure to Bank of Lewis County the principal sum of \$129,899.47.
Subject property has the address of 2195 Whitlock Road East, Clifton, TN 38425.
The right is reserved to adjourn the day of sale to another day and time certain, without further publication and in accordance with law, upon announcement of said adjournment on the day and time and place of sale set forth above, and/or to sell to the second highest bidder. In the event the highest bidder does not comply with the terms of the sale.

Trustee will make no covenant of seisin or warranty of title, expressed or implied, and will sell and convey the subject real property by Trustee's Deed as Trustee only.
This sale is subject to all matters shown on any applicable recorded Plat or Plan; and unpaid taxes which exist as a lien against said property, including without limitation city and county property taxes, any restrictive covenants, easements or setback lines that may be applicable; any statutory rights of redemption not otherwise waived in the Deed of Trust, including rights of redemption of any governmental agency, state or federal; and any prior liens or encumbrances that may exist against the property. This sale is also subject to any matter that an accurate survey of the premises might disclose.

Interested Parties are: Perry County Trustee, Bank of Lewis County, Hollow Creek Ranch Corp.
THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THIS PURPOSE.
Publication dated, June 4, 2014; June 11, 2014 and June 18, 2014.
First Publication Date: June 4, 2014.

Bryan D. Spicer
Attorney at Law
18 N. Court St.
Hohenwald, TN 38482
931-285-3072
B 6/4

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED
This is to provide official notice to the Health Services and

Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3501 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternale Site Services, Inc. d/b/a Coram CVS/ Specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation, to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38104 with an estimated project cost to not exceed \$99,000. Coram Alternale Site Services, Inc. is currently licensed in the following counties: Bedford, Blount, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson. The anticipated filing date of the application is June 6, 2014. The contact person for this project is Alex Coulter Cross, Attorney, who may be reached at Harwell Howard Hynes Gabbert & Mannor P.O. 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/259-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to: Health Services and Development Agency, Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, Tennessee 37243. The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-107(g)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.
Filing publication date: June 4, 2014

B 6/4

NOTICE
Perry County Sheriff's Office is seeking bids on replacement air conditioners. Specs may be obtained by contacting Stevia Hickerson (931) 589-8803. First publication date: June 4, 2014

B 6/4

MOVE IN SPECIAL
\$100 OFF if you move in by JUNE 30!
CEDARIDGE APARTMENTS
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www.buffaloriverreview.com

HIRING EVENT
NYX LINDEN
A Company of NYX Incorporated
NYX Linden will be having a hiring event on
Wednesday, June 11th • 9am-12pm
at the **Career Center in the Community Building**
at 113 Factory Street, Linden, TN
We'll be accepting applications for operators, lift truck drivers, Quality Inspectors, Die Setters, process Techns, and many more positions.
IMMEDIATE OPENING FOR ACCOUNTANT and/or AGC/Clerk
Send resumes to: Lisa Rhodes, HR Manager
lisa.rhodes@nyxinc.com (phone) 931-589-6142

SUPPLEMENTAL #1

June 20, 2014

The Wayne County News

WAYNESBORO, TENNESSEE

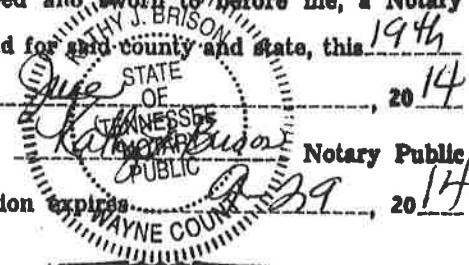
State of Tennessee, Wayne County:

I, Lisa Carlton Bookkeeper of The Wayne County News, a weekly newspaper printed and published at Waynesboro, Wayne County, Tennessee, solemnly swear that the attached Notice was published in the said newspaper for 1 consecutive issues, beginning with the issue of June 4, 2014 and ending with the issue of June 4, 2014

Lisa Carlton

Subscribed and sworn to before me, a Notary Public, in and for said county and state, this 19th

day of June, 2014



My commission expires 29, 2014

13 1/2 inches/words \$ 69.53

_____ inches/words \$ _____

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_____ inches/words \$ _____

_____ inches/words \$ _____

_____ inches/words \$ _____

Total Publication Fees Due \$ 69.53

GENERAL NEWS

Weakley County Sheriff's Report

Weakley County Sheriff's Department

* Aaron Lynn Bartlett, 49, 3295 Owl Hoot Road, Ridgeley, Tenn., was charged with Failure To Appear on May 27.
 * Sandy Blakely, 39, 421 S Parkway St., Dresden, was charged with Failure To Appear on May 31.
 * Marty Brent Boone, 49, 242 McAdams Rd., McKenzie, was charged with Domestic Assault on May 27.
 * Rodney Thomas Brewer, 26, 385 D&C Subdivision, Dresden, was charged with Failure To Appear on May 28.
 * Chadwick Bolling Cooper, 32, 230 Bob Miles Rd., Sharon, was charged with Driving Under The Influence (2nd Offense) on May 29.
 * Joshua David Copeland, 30, 4768 Old State Route 22, Gleason, was charged with Failure To Appear on May 27.
 * Ida Lucita Crutchfield, 45, 1961 Hyndaver Rd., Martin, was charged with Robbery, and Theft Under \$500 on May 28.
 * Selena Danielle Ellison, 37, 433 Red Hill Rd., Dresden, was charged with possession

of Cocaine on May 27.
 * Vincent Clark Griffith, 52, 17 E. Walnut Avenue, McKenzie, was charged with Public Intoxication on May 27.
 * Andrew Jay Hart, 53, 327 Hillcrest St., Dresden, was charged with Driving On Rev/ Susp License on May 31.
 * Larry Timothy Heard, 36, 117 Carter St., Martin, was charged with Disorderly Conduct, and Resisting Stop, Frisk, Halt Arrest on May 27.
 * Robert McLand Montgomery, 30, 3510 Sidonia Road, Sharon, was charged with Criminal Trespassing, and Theft Of Property on May 28.
 * James Steven Moore, 24, 315 South McComb, Martin, was charged with Violation Of Probation on May 30.
 * Billy Frank Nicholas, 26, 409 E Taylor St., Martin, was charged with Violation Of Probation on May 27.
 * Nicholas Matthew Snider, 35, 525 Mt. Pelia Road, Martin, was charged with Theft Over \$1,000 (2 counts), and Aggravated Burglary on May 26.
 * Ashley Nicole Wright, 27, 175 Dawson Rd., Dresden,

was charged with Domestic Assault on May 28.
 * Kendell Jo Hilla, 31, 8157 Wolf Creek Rd., South Fulton, was charged with Violation Of Probation (Circuit) on May 31.
 * Bryan Jacob Mobbs, 23, 416 West Florida Ave., Union City, was charged with Driving Under The Influence (1st Offense), and Failure To Drive Within Lane on June 1.
 * Jeremy Wayne Washburn, 39, 120 Clearwater St., Martin, was charged with Driving On Rev/ Susp License, Violation Light Law, Window Tint Law, and Failure To Provide Proof Insurance on May 30.
 * Paul David Williamson, 57, 2788 Paris Hwy 54, Dresden, was charged with Possession Of Sch II (Meth), Possession Of Drug Para. (Meth Related), and Failure To Drive Within Lane on May 31.

Martin Police Department
 * Tiffany Jo Bogle, 20, 311 K. Harper Rd., Union City, was charged with Public Intoxication, and Violation Drinking Age Law on May 31.

* Michael Gary Burns, 33, Homeless, was charged with Criminal Trespassing on May 31.
 * Judy Marie Crosby, 29, 104 Manley Drive, Martin, was charged with Domestic Assault on May 26.
 * Jeffery Lee Davis, 50, 371 Fulton St., Martin, was charged with Aggravated Domestic Assault (2 counts), and Vandalism on May 31.
 * Maxey Brooke Mansfield, 19, 505 K Street, Martin, was charged with Driving On Rev/ Susp License, and Failure to Provide Proof of Insurance on May 30.
 * Damon Terrell McDonald, 35, 258 South Durham St., Sharon, was charged with Domestic Assault, and Aggravated Assault on May 27.
 * Jay Allen McMillin, 27, 3521 Ralston Rd., Martin, was charged with Public Intoxication on June 1.

Sentenced
 * Dmarquis La'que Wright, 25, 142 Meadow Brook, Martin, was charged with Mfg/ Del/Sell Controlled Substance on May 30.

Real Estate Transfers

Bank of Gleason to Robert J. Tackett and John E. Tackett, 23rd District

Glynn E. Barron and Alice Barron to Joe T. Pierce Jr., 18th District

Richard R. Jones to Kimberly Jean Dubruid, 8th District

Mitchell C. Greub and Vicki C. Greub to James E. Shelton Jr., 9th District

Jeffrey L. Floyd and Marci L. Floyd to Joshua Rotger, Lindsay Box Rotger, 2nd District

Steve Smith to Billy R. Tanner, 2nd District

Judy Bradley to Double B. Farms LLC, 1st District

Marriage Licenses

Brittany Dawn Salvage vs. William Clow Salvage

Angela Neil Ingalls vs. Howard James Ingalls

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NOTICE OF PUBLICATION

#22760

In the Chancery Court of Weakley County, Tennessee at Dresden

Kari Janette Stepp, As Legal Guardian and Next Friend of Bella Rae Ullrich, a minor child

Petitioner
 Vs.
 Kyle Conrad Bluehorse
 Respondent

To: Kyle Conrad Bluehorse

In this cause, it appearing from the complaint which is sworn to that the whereabouts of Kyle Conrad Bluehorse are unknown to the Petitioner

therefore, you are hereby required to serve upon Langdon S. Unger Jr., Attorney at Law, P.O. Box 443, Martin, TN 38237 and answer to the complaint on or before July 10, 2014. If you fail to do, judgment by default will be taken against you for the relief described in the complaint. A copy of said complaint may be obtained from the Clerk and Master of said Court.

It is further ordered that this Notice be published for four (4) consecutive weeks in the Dresden Enterprise.

This 29th day of May, 2014.

Susan B. Collins
 Clerk & Master
 33-47612344

Bankruptcy Petitions

Latonya Carter, Chapter 13, Trezevant
 Tommy Edward Clayton, Chapter 7, Paris
 Pamela Kay Gordon, Chapter 13, Atwood
 Douglas R. and Sherry A. Hardin, Chapter 13, Paris
 Laruth Jamison, Chapter 7, Braceton
 Lloyd King, Chapter 13, Martin
 Matthew K. and Michelle D. Martin, Chapter 13, Atwood
 Cameron M. and Deena R. Orr, Chapter 13, Huntingdon

Roger L. and Sherry L. Pierce Sr., Chapter 13, McKenzie
 Michael Shano and Tammy Rebecca Roney, Chapter 13, Union City
 Tabitha Nicole Skiller, Chapter 7, Martin
 Sharon K. Schmidt, Chapter 7, McKenzie
 Tasha Marie Stubblefield, Chapter 13, McKenzie
 Derek A. and Samantha Dawn Turner, Chapter 7, Martin
 Brent R. Vaughn, Chapter 7, Martin

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ATTORNEY AT 1405 SQUARE IN HUNTINGDON, TN

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WEST TN PUBLIC UTILITY MEETING

The Board of Commissioners of the West Tennessee Public Utility District will meet in regular session on

Thursday, June 12, 2014 at 7 o'clock in the offices

of the District at 14055 Paris St. Huntingdon, TN

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Chapter 13 - Consolidate Debt into One Payment

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Washburn and Hutcherson Law Firm

Paul R. Hutcherson, Attorney at Law

302 University St. - Martin, TN 38237

731-587-5888

NOTICE OF INTENT TO SURFACE MINE

Boral Brick, Inc. of P.O. Box 72, 4970 Old

State Route 22, Gleason, Tennessee 38229;

Phone (731) 648-5527 Intends to apply to

the state of Tennessee, Division of Water

Pollution Control, Mining Section, to renew

a permit to:

Mine Common Ball Clay in Weakley County.

The proposed permit of 136.00 acres is

located on the Pillowville (444 NW) USGS

Quadrangle in the Middle Fork of the Obion

River watershed, and is drained by unnamed

tributary. Any interested parties may contact

the Other Minerals Program, 3711 Middle-

brook Pike, Knoxville, TN 37921, or at (865)

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NOTIFICATION OF INTENT TO APPLY

FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development

Agency and all interested parties, in accordance with T.C.A. § 68-11-3601

et seq., and the Rules of the Health Services and Development Agency, that

Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion

Services, owned by CVS Caremark Corporation, with an ownership type of for

specific corporation to be self-managed, intends to file an application for a Cer-

tificate of Need for the establishment of a limited service home health agency

only to provide and administer home infusion products and related infusion

nursing services ancillary to its pharmacy services, by way of example and not

limitation, flow maintenance, infusion equipment repair and replacement, and

diagnosing challenges on central lines and external access ports within the fol-

lowing Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer,

Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston,

Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton,

Wayne and Weakley, from its current licensed home infusion pharmacy lo-

cated at 1600 Century Center Parkway, Suite 13, Memphis, Tennessee, 38134

with an estimated project cost to not exceed \$94,000. Coram Alternate Site

Services, Inc. is currently licensed in the following counties: Bedford, Bedford,

Camden, Cherokee, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson,

Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Law-

rence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Over-

ton, Putnam, Robertson, Rutherford, Sequatchie, Smith, Sumner, Tennes-

ssee, Warren, White, Williamson and Wilson.

The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alex Crutcher Cross, Attorney, who may

be reached at Harwell Howard Hyne Gabbert & Munster PC, 333 Commerce

Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hear-

ing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

Andrew Jackson Building, 9th Floor

502 Desdric Street

Nashville, Tennessee 37243

Substitute Trustee's Sale

Default having been made in the payment of the debts and

obligations secured to be paid by a certain Deed of Trust execut-

ed November 13, 2007 by Charles Lynn McMorries and Judy R.

McMorries, husband and wife, as tenants by the entirety to Mid

South Title, as Trustee, as same appears of record in the office of

the Register of Weakley County, Tennessee, in T625, Page 551,

and the undersigned having been appointed Substitute Trustee by

Instrument recorded in the said Register's Office, and the owner of

the debt secured, Green Tree Servicing LLC, having requested the

undersigned to advertise and sell the property described in and

conveyed by said Deed of Trust, all of said indebtedness having

matured by default in the payment of a part thereof, at the option

of the owner, this is to give notice that the undersigned will, on

Wednesday, June 18, 2014 commencing at 10:00 AM, at the West

Door of the Courthouse, Dresden, Weakley County, Tennessee

proceed to sell at public outcry to the highest and best bidder for

cash, the following described property, to-wit:

Situated in County of Weakley, State of Tennessee.

All that certain parcel of land situate in the 2nd District of The

County of Weakley and State of Tennessee being known and

designated as follows: Beginning at an iron stake on the South

Edge of the sidewalk on the South Side of Poplar Street and in The

East Right of Way Line of The ICG Railroad, said point being 2.5

Feet east from The East Edge of the sidewalk on the East Side of

Broadway Street; thence (Magnetic Bearings 6 June 1986) South 7

Degrees 22 Minutes West 204.00 Feet with the East Right of Way

Line of said Railroad to an Iron Stake at Jim Rush's NW corner,

said point being 1 foot east from the east edge of the sidewalk

on the east side of Broadway Street; thence South 83 Degrees 10

Minutes East 81.00 feet with Rush's north line to an iron stake at

Ronald Foley's SW corner; thence North 7 Degrees 22 Minutes

East 203.25 feet with Foley's west line to an iron stake on the south

edge of the sidewalk on the south side of Poplar Street, said point

being 379.50 feet west from the point where the south edge of

said sidewalk intersects the west edge of the sidewalk on the west

side of McComb Street; thence North 82 Degrees 38 Minutes West

81.00 feet with the South edge of said sidewalk on Poplar Street to

the point of beginning, by Survey of J.R. Burdette 6 June 1986.

Tax Parcel ID: 072P-B-022.00

Property Address: 101 Poplar Street, Martin, TN.

All right and equity of redemption, homestead and dower waived

In said Deed of Trust, and the title is believed to be good, but the

undersigned will sell and convey only as Substitute Trustee.

ARNOLD M. WEISS, Substitute Trustee

Weiss Spicer Cash PLLC

208 Adams Avenue

Memphis, Tennessee 38103

901-526-8296

File # 7134-113701-PC

503 - PUBLIC NOTICES

3-5-101 ET. SEQ. HAVE BEEN MET.

THE RIGHT IS RESERVED TO ADJOURN THE DAY OF THE SALE TO ANOTHER DAY, TIME AND PLACE WITHOUT FURTHER PUBLICATION, UPON ANNOUNCEMENT AT THE ME AND PLACE FOR THE SALE SET FORTH ABOVE. THE TRUSTEE/SUBSTITUTE TRUSTEE RESERVES THE RIGHT TO RESCIND THE SALE.

THE EVENT THE HIGHEST BIDDER DOES NOT WITHIN 24 HOURS, THE EXT HIGHEST BIDDER WILL BE DEEMED THE SUCCESSFUL BIDDER.

OTHER INTERESTED PARTIES: PICKWICK ELECTRIC COOPERATIVE

THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

On this day, March 4, 2014, this is improved property known as 2100 SULPHUR SPRINGS RD., SELMER, TENNESSEE 38375.

PHILLIP JONES/JESSICA BINKLEY, JBSSTITUTE TRUSTEE 300 HAYES STREET ASHVILLE, TN 37203 151 254-4430 www.phillipjoneslaw.com 713 3, 4, 5

NOTICE OF FORECLOSURE SALE STATE OF TENNESSEE, MCNAIRY COUNTY

WHEREAS, Clarence E. Webb and Barbara Webb executed a Deed of Trust to JPMorgan Chase Bank, N.A., Lender and Kathy A. Lender and Kathy A. Lender, Trustee(s), which was dated December 18, 2008 and recorded on December 29, 2008, Book 394, Page 2382, McNairy County, Tennessee Register of Deeds.

WHEREAS, the default having been made in the payment of the debt(s) and obligation(s) thereby incurred by the said Deed of Trust and the current holder of said Deed of Trust, Carrington Mortgage Services, LLC, (the "holder"), appointed and undersigned, Brock & Scott, PLLC, as Substitute Trustee, by an instrument duly recorded in the Office of the Register of Deeds of McNairy County, Tennessee, with all the rights, powers and privileges of the original Trust-

503 - PUBLIC NOTICES

the way being, the East boundary of said Cody tract and the West boundary of the herein described tract, to the point of beginning, containing 2.900 acres of land, more or less.

Being the same property conveyed to Clarence Webb and wife, Barbara Webb by Warranty Deed dated December 18, 2008 and of record in Deed Book 210, Page 609 in the Register's Office of McNairy County, Tennessee.

Parcel ID Number: 096 015.01 Address/Description: 7903 Highway 142, Stantonville, TN 38379.

Current Owner(s): Clarence Webb and Barbara Webb.

Other Party(ies): N/A

The sale of the property described above shall be subject to all matters shown on any recorded plat; any and all liens against said property for unpaid property taxes; any restrictive covenants, easements or set-back lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; a deed of trust; and any matter than an accurate survey of the premises might disclose; and

All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. The right is reserved to adjourn the day of the sale to another day, and place certain without further publication, upon announcement at the time and place for the sale set forth above.

This office is attempting to collect a debt. Any information obtained will be used for that purpose.

Brock & Scott, PLLC, Substitute Trustee c/o Tennessee Foreclosure Department 277 Mallory Station Road Suite 115 Franklin, TN 37067 PH: 615-550-7697 FX: 615-550-8484 File No.: 14-09736

15711 3, 4, 5

SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on July 15, 2014 at

503 - PUBLIC NOTICES

10:00 AM local time, at the center of the courthouse, McNairy County Courthouse, 170 Court Avenue, Selmer, Tennessee, pursuant to Deed of Trust executed by James E. King a married man and wife, to Andrew C. Rambo, Trustee, on April 20, 2009 at Deed of Trust 396, Page 249, Instrument No. 68153; and corrected by Scrivener's Affidavit recorded as Instrument Number 87621 in Miscellaneous Book 14, Page 1673; all of record in the McNairy County Register's Office.

Party entitled to enforce security interest: National Mortgage LLC, its successors and assigns. The following real estate located in McNairy County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:

Described property located in McNairy County, Tennessee, and being more particularly described in deed of record in Deed of Trust 396, Page 249, Instrument No. 68153; and corrected by Scrivener's Affidavit recorded as Instrument Number 87621 in Miscellaneous Book 14, Page 1673; in the Register's Office of McNairy County, Tennessee Parcel Number: 067-39.00 Current Owner(s) of Property: Ernie King aka James E. King and wife, Ellen King aka Ellen K. King Other interested parties: Commissioner of Revenue The street address of the above described property is believed to be 4875 Highway 64 West, Selmer, Tennessee 38375, but such address is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.

SALE IS SUBJECT TO TENANT(S) RIGHTS IN POSSESSION.

Notice of this Substitute Trustee's Sale has been timely given to the State of Tennessee as required by T.C.A. § 67-1-1433(b) (1).

Terms of Sale will be public auction, for cash, free and clear of rights of homestead, redemption and dower, and the rights of James E. King a married man Ellen K. King, husband and wife, and those claiming through them, and subject to the right of redemption by the DEPARTMENT OF REVENUE, STATE OF TENNESSEE by reason of tax lien

503 - PUBLIC NOTICES

of record in Lien Book 8 Page 822 at the Register's Office of McNairy County, Tennessee, subject to any accrued taxes and restrictions.

All right of equity of redemption, statutory and otherwise, and homestead are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee.

If you purchase a property at the foreclosure sale, the entire purchase price is due and payable at the conclusion of the auction in the form of a certified bank check made payable to or endorsed to Shapiro & Kirsch, LLP. No personal checks will be accepted.

To this end, you must bring sufficient funds to outbid the lender and any other bidders. Insufficient funds will not be accepted.

ed. Amounts received in excess of the winning bid will be refunded to successful purchaser the time the foreclosed deed is delivered.

This property is being sold with the express reservation that the sale is subject to confirmation by the lender or trustee and may be rescinded any time.

Shapiro & Kirsch, LLP Substitute Trustee Law Office of Shapiro & Kirsch, LLP 555 Perkins Road Extended, Second Floor Memphis, TN 38117 Phone (901)767-5566 Fax (901)761-5690 www.kirschattorneys.com

File No. 13-051758 157110 3

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Services, Inc. d/b/a Coram CVS/ specialty infusion Services, Inc. owned by CVS Caremark Corporation, with an owner type of for profit corporation to be self-managed, intend to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing change central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNobles, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley. The current licensed home infusion pharmacy located from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,381.34. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jack Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, McMinn, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilcox.

The anticipated filing date of the application is June 6, 2014. The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Herwell Howard Hyne Gatt & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, Tennessee 37201, 615/256-0500.

Upon written request by interested parties a local finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection to the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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June 20, 2014

12:06 pm

The
Paris

Post-Intelligencer

PROOF OF PUBLICATION

State of Tennessee --- Henry County:

This day personally before me the undersigned came **Michael B.**

Williams, Proprietor of **The Paris Post-Intelligencer**, a daily

newspaper published in Paris, Tennessee, who makes oath in due form of

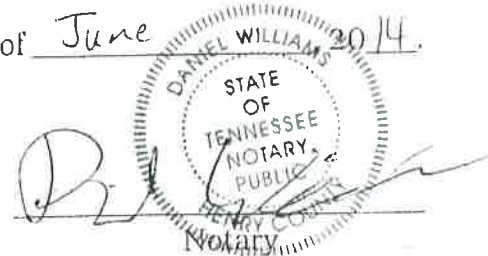
law that the advertisement, a copy of which has been provided, was

published in said paper 6-4-14 and

the printer's fee for same is \$ 170.00

Michael B. Williams

Sworn and subscribed to me this 18 day of June 2014.



My commission expires: 8-22-17

June 20, 2014

12:06 pm

PROOF OF PUBLICATION

**State of Tennessee
County of Chester**

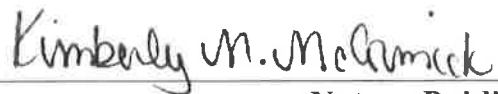
Before me, **Kimberly M. McCormick**, of the County of Chester and the State of Tennessee, personally appeared **Walter S. Whaley**, with whom I am personally acquainted and who upon oath acknowledged himself to be the publisher of the **Chester County Independent**, a newspaper published in the City of Henderson, in said county and State, who, on oath, disposes and says that the publication of which the annexed slip is a true copy, was published in said newspaper for 1 consecutive weeks, to wit:

6.5.14



Walter S. Whaley, Publisher

Subscribed and sworn before me on this 18 day of
JUNE, 2014.



Notary Public

My Commission Expires: March 16, 2016



Public Notices

NOTICE OF SUBSTITUTE TRUSTEE'S SALE

WHEREAS, by Deed of Trust dated November 19, 1999, recorded in Book 11826, Mark Anthony Peddy, a married man, conveyed to Alpha & Omega, LLC Title & Escrow, as Trustee, the property situated in Chester County, Tennessee, to wit: SITUATE in the Fourth (4th) civil district of Chester County, Tennessee, and being more particularly described as follows:

Beginning at a PK, Nail set in the centerline of Allen Paddy Road, which point is southeast corner of Jasper Paddy as recorded in Deed Book 52, page 153, Register's Office of Chester County, Tennessee; and the northeast corner of the herein described tract; thence from the point of beginning and with the centerline of Allen Paddy Road, the following calls: south 52 deg. 50' 28" east 51.71 feet; south 46 deg. 05' 07" east 83.85 feet; south 39 deg. 08' 45" east 138.97 feet south 39 deg. 05' 28" east 112.47 feet; south 34 deg. 31' 28" east 160.43 feet to a railroad spike set at the southeast corner of the herein described tract; thence on new lines through Paddy the following calls: south 61 deg. 27' 46" west 195.21 feet to an iron pin set; north 69 deg. 18' 34" west 519.08 feet to an iron pin set in the south line of Jasper Paddy; thence with the south line of Jasper Paddy north 59 deg. 09' 10" east 745.80 feet to the point of beginning, containing 6.0 acres as per survey by Reasons Engineering & Association, Inc., RLS #598 on July 30, 1999.

Being the same property conveyed to Mark Anthony Peddy by instrument of record in Book 177 at page 479 in the Chester County, Tennessee, Register of Deeds office. Tax Parcel # 25-2.04. Property includes a manufactured home; 2000 Fleetwood model Serial Number: TFI LX27A93877 SC13. Common address of property: 635 Allen Paddy Loop, Henderson, Tennessee 38340.

WHEREAS, the undersigned is the Substitute Trustee as appointed in the aforesaid Deed of Trust by a substitution, said appointment being in the manner authorized by the Deed of Trust; and

WHEREAS, default has occurred under the terms of the Note secured by the Deed of Trust, and the indebtedness evidenced thereby is now solely due, the owner and holder of said indebtedness, Vandalia Mortgage and Finance, Inc. by way of its Attorney in Fact, 21st Mortgage Corporation, has requested the undersigned Substitute Trustee to sell the Property to satisfy same.

NOW, THEREFORE, notice is hereby given that on June 25, 2014, the substitute trustee will sell the property to the highest bidder for cash. The Trustee's sale will occur on or about 10:00 a.m. at the Main Entrance of the Chester County Courthouse located at

133 E. Main Street, Henderson, Tennessee 38340. This sale is subject to all matters shown on any applicable recorded plat; any unpaid taxes; any restrictive covenants, easements, or set-back lines that may be applicable; any statutory rights of redemption of any governmental agency, state or federal; any prior liens or encumbrances as well as any priority created by a future filing; and to any matter that an accurate survey of the premises might disclose. The sale held pursuant to this Notice may be rescinded at any time. In addition, the following party may claim an interest in the above referenced property: Mark Anthony Peddy and Maria D. Peddy. The right is reserved to adjourn the date of the sale to another date or time, and place certain without further publication, upon the announcement at the time and place for the sale set forth above.

Gregory T. Pratt, Substitute Trustee
705 Gate Lane, Suite 202
Knoxville, TN 37909
606-622-7531

IN THE GENERAL SESSIONS COURT OF MCNARY COUNTY AT SELMER, TENNESSEE
TYRA LYNN BONEE, PLAINTIFF
Vs.
DOCKET NO. 140V42
GARY DEAN BONEE, DEFENDANT
ORDER OF PUBLICATION
TO GARY DEAN BONEE, DEFENDANT:
TO GARY DEAN BONEE: A Complaint for Divorce has been filed against you.

IN THIS CAUSE, it appearing that Defendant, GARY DEAN BONEE's whereabouts are presently unknown and cannot be ascertained upon diligent inquiry so that ordinary process cannot be served upon him. Defendant, GARY DEAN BONEE, is therefore hereby required to serve his Answer to the Complaint for Divorce with the clerk of courts, a copy of the Complaint for Divorce may be obtained from the Clerk of Court at 300 Industrial Park Drive, Selmer, Tennessee 38375, on or before the 18th day of June, 2014, said date being 30 days after the fourth publication of this Order. If said Defendant, you, fails to do so, Judgment by Default will be taken for the relief demanded in the Complaint for Divorce. It is further ordered that this notice be published in the Chester County Independent for four (4) consecutive weeks.

WITNESS, Byron Maxson, Clerk of said Court, at office in the McNary County Courthouse, Selmer, Tennessee, on this 28 day of April, 2014.

Judge Van McMahon
Byron Maxson, Court Clerk
Attorney for Plaintiff
(731) 645-8557
Tenn. Bar No. 018179

SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on June 24, 2014 at 10:00 AM local time, at the front door, Chester County Courthouse, 133 East Main Street, Henderson, Tennessee, pursuant to Deed of Trust executed by Lee R. Platt, to C. Benard, Trustee, on May 17, 2007 at Record Book 390, Page 722; all of record in the Chester County Register's Office.

Party entitled to enforce security interest: Cliff Financial Services, LLC, its successors and assigns. The following real estate located in Chester County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:

Described property located in Chester County, Tennessee, and being more particularly described in deed of record in Record Book 300, Page 722; in the Register's Office of Chester County, Tennessee.

Parcel Number: 092 009.02 Current Owners (s) of Property: Lee R. Platt. The street address of the above described property is believed to be 200 Robertson Road, Bellet Springs, Tennessee 38315, but such address is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.

SALE IS SUBJECT TO TENANTS' RIGHTS IN POSSESSION.

All right of equity of redemption, statutory and otherwise, and homestead are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee.

If you purchase a property at the foreclosure sale, the entire purchase price is due and payable at the conclusion of the auction in the form of a certified/bank check made payable to or endorsed to Shapiro & Kirach, LLP. No personal checks will be accepted. To this end, you must bring sufficient funds to outfit the lender and any other holders. Insufficient funds will not be accepted. Amounts received in excess of the winning bid will be refunded to the successful purchaser at the time the foreclosure deed is delivered.

This property is being sold with the express reservation that the sale is subject to confirmation by the lender or trustee. This sale may be rescinded at any time.

Shapiro & Kirach, LLP
Substitute Trustee
Law Office of Shapiro & Kirach, LLP
555 Hickory Road
Extended, Second Floor
Memphis, TN 38117
Phone: (901) 677-5558
Fax: (901) 761-5690
www.shapirokirach.com

NOTICE OF SUBSTITUTE TRUSTEE'S SALE

WHEREAS, default has occurred in the performance of the covenants, terms and conditions of a Deed of Trust dated May 28, 2004, executed by PATRICIA ANN JOHNSON, conveying certain real property therein described to FIRST NATIONAL FINANCIAL TITLE SERVICES, INC., as Trustee, as same

appears of record in the Register's Office of Chester County, Tennessee, recorded June 15, 2004, in Deed Book 253, Page 397-415; and WHEREAS, the beneficial interest of said Deed of Trust was last transferred and assigned to Second Chance Properties, LLC who is now the owner of said debt; and WHEREAS, the undersigned, Robin Lubin, TN, P.L.L.C., having been appointed as Substitute Trustee by instrument to be filed for record in the Register's Office of Chester County, Tennessee.

NOW, THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable, and that the undersigned, Robin Lubin, TN, P.L.L.C., as Substitute Trustee or his duly appointed agent, by virtue of the power, duty and authority vested and imposed upon said Substitute Trustee will, on June 19, 2014 at 11:00 AM at the Main Entrance steps of the Chester County Courthouse, located in Henderson, Tennessee, proceed to sell at public outcry to the highest and best bidder for cash or certified funds ONLY, the following described property situated in Chester County, Tennessee, to wit:

ALL THAT CERTAIN LOT OR PARCEL OF LAND SITUATED IN THE CITY OF HENDERSON, COUNTY OF CHESTER, STATE OF TENNESSEE, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF A LOT KNOWN AS THE SP EDWARDS LOT, NOW OWNED BY ELISHA HARBOR, SAME BEING A STAKE ON THE HENDERSON AND MIEFLIN ROAD; RUNS THENCE EAST WITH SAID ROAD 60 FEET TO A STAKE; THENCE NORTH 135 FEET TO A STAKE; THENCE WEST 60 FEET TO A STAKE; THENCE SOUTH 135 FEET TO THE POINT OF BEGINNING. Parcel ID: 340-B-000. PROPERTY ADDRESS: The street address of the property is believed to be 425 4th

Street, Henderson, TN 38340. In the event of any discrepancy between this street address and the legal description of the property, the legal description shall control. CURRENT OWNERS: PATRICIA ANN JOHNSON OTHER INTERESTED PARTIES: DELL SOUTH-TENNESSEE, CITY OF HENDERSON, TN. The sale of the above-described property shall be subject to all matters shown on any recorded plat; any unpaid taxes; any restrictive covenants, easements or set-back lines that may be applicable; any prior liens or encumbrances as well as any priority created by a future filing; and to any matter that an accurate survey of the premises might disclose. This property is being sold with the express reservation that it is subject to confirmation by the lender or Substitute Trustee. This sale may be rescinded at any time. The right is reserved to adjourn the day of the sale to another day, time, and place certain without fur-

SUPPLEMENTAL #1

June 20, 2014 12:06 pm

NOTICE TO BIDDERS

The Chester County Highway Department is now accepting sealed bids for the following materials:

- Pit-run chert rock
- Pit-run red rock
- Washed #6, #7, and #8 rock
- Rip-Rap, gabion, 33-C base, and #10 block sand
- RS-2
- HP-2
- CRS-2
- AL-3 - modified
- 87.0 Octane gasoline
- Diesel
- Metal & Plastic Culverts/Bands

Specifications for each item may be picked up at the Road Superintendent's office or will be mailed upon request. Sealed bids will be opened on Tuesday, June 17, 2014 at 10:00 a.m. in the office of the Road Superintendent. Awarded bids will run from July 01, 2014 through June 30, 2015. The highway department reserves the right to reject any or all bids.

Thank you,
Jerry L. King
Road Supervisor

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 56-11-500 et seq., and the Rules of the Health Services and Development Agency, that Certain Alternative Services, Inc. (CASA) is currently in the process of applying for a Certificate of Need (CON) for the establishment of a limited service home health agency, only to provide and administer home infusion products and related infusion nursing services, ancillary to infusions services, by way of example, and not limitation, including maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Bell, Carroll, Cheatham, Chickasaw, Davidson, DeKalb, Decatur, Fayette, Franklin, Hamilton, Harlan, Harpwood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, Mahan, Miami, Marion, Shelby, Stewart, Tipton, Wayne, and Weakley. CASA is currently licensed in the following counties: Bedford, Blount, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Jefferson, Lewis, Lincoln, Macon, Marion, Marshall, Meigs, Montgomery, Overton, Putnam, Rhea, Robertson, Robertson, Sequachee, Smith, Sumner, Tiptonville, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is March 2014. The contact person for this project is Amy Chandler Cross, Attorney, who may be reached at (615) 491-1100 and (615) 491-1101. CASA is currently in the process of applying for a CON for the establishment of a limited service home health agency, only to provide and administer home infusion products and related infusion nursing services, ancillary to infusions services, by way of example, and not limitation, including maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Bell, Carroll, Cheatham, Chickasaw, Davidson, DeKalb, Decatur, Fayette, Franklin, Hamilton, Harlan, Harpwood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, Mahan, Miami, Marion, Shelby, Stewart, Tipton, Wayne, and Weakley. CASA is currently licensed in the following counties: Bedford, Blount, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Jefferson, Lewis, Lincoln, Macon, Marion, Marshall, Meigs, Montgomery, Overton, Putnam, Rhea, Robertson, Robertson, Sequachee, Smith, Sumner, Tiptonville, Warren, White, Williamson, and Wilson.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to: Health Services and Development Agency, Andrew Jackson Building, 9th Floor, 502 Double Oak Street, Nashville, Tennessee 37243.

The published letter of intent must contain the following statement pursuant to T.C.A. § 56-11-106(f)(1): (A) Any health care institution wishing to approve a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than 60 days (60) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file a written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

PUBLIC NOTICE

The Town of Lenoir, Tennessee, hereby provides certain financial information for the 2014-2015 fiscal year budget in accordance with provisions of the Municipal Budget Law of 1982 (Tennessee Code Annotated § 5-6-201, et seq.). There will be a public hearing concerning the Lenoir municipal budget for fiscal year 2014-2015 at the Lenoir City Hall on Tuesday, June 17, 2014 at 7:00 p.m. All citizens are welcome to attend and to participate in the meeting.

| | ACTUAL 2012-2013 | ESTIMATED 2013-2014 | PROPOSED 2014-2015 |
|------------------------------|---------------------|------------------------|-----------------------|
| General Fund | | | |
| Estimated Revenues | | | |
| Local Taxes | \$7,816 | \$2,501 | \$7,816 |
| State of Tennessee | \$13,736 | \$13,736 | \$13,736 |
| Federal Government | \$0 | \$0 | \$0 |
| Other Sources | \$6,747 | \$13,580 | \$6,747 |
| Total Revenues | \$28,300 | \$29,717 | \$28,300 |
| Estimated Expenditures | | | |
| Salaries | \$4,475 | \$4,789 | \$4,475 |
| Other Costs | \$55,218 | \$33,499 | \$55,218 |
| Total Expenditures | \$59,693 | \$38,288 | \$59,693 |
| Estimated Fund Balance | | | |
| Beginning | \$3,000.00 | \$10,989 | \$3,000.00 |
| Ending | \$16,313 | \$13,736 | \$16,313 |
| Employee Positions | 1 | 1 | 1 |
| State Street Aid Fund | | | |
| Estimated Revenues | | | |
| State of Tennessee | \$4,935 | \$4,935 | \$4,935 |
| Federal Government | \$0 | \$0 | \$0 |
| Total Revenues | \$4,935 | \$4,935 | \$4,935 |
| Estimated Expenditures | | | |
| Salaries | \$0 | \$0 | \$0 |
| Other Costs | \$6,661 | \$6,661 | \$6,661 |
| Total Expenditures | \$6,661 | \$6,661 | \$6,661 |
| Employee Positions | 0 | 0 | 0 |

CHANCERY COURT AUCTION

Saturday, June 7, 2014
10:00 A.M.
Chester County Justice Center Lobby
333 Eric Bell Drive

**SELLING
HOUSE WITH
1.5 Acres**

155 Herman Arnold Rd.
Henderson, TN 38340
Conditions Of Sale To Be Announced
Clerk & Master 989-7171
Keith Frye



NOTICE OF SALE OF REAL ESTATE

Whereas, on the 17th day of November, 2010, by Deed of Trust of record in the Office of the Register for Hardin County, Tennessee, in Record Book 528 page 45, Bruce Aaron Payne and wife, Taddie Joy Payne, conveyed to Connie Johnson, Trustee, the property hereinafter described to secure the payment of a promissory note as described therein, and

Whereas, the said Connie Johnson, Trustee, was unable to act as such Trustee; and

Whereas, Ken Seaton was appointed Substitute Trustee by instrument of record in said Register's Office in Record Book 588 page 351, Register's Office for Hardin County, Tennessee; and

Whereas, default has been made in the payment of said indebtedness, and the holder of said Note, Eddie C. Bokeridge, Jr., has declared the entire amount due and payable as provided in said Deed of Trust, and the Substitute Trustee has been directed to foreclose the Deed of Trust in accordance with the terms thereof, the public is hereby notified that the undersigned Substitute Trustee will sell the hereinabove described real property to the highest bidder for cash in hand at the East door of the Courthouse in Savannah, Tennessee, on the 3rd day of July, 2014, at 11:30 A.M., said property to be sold free from the equity of redemption, statutory redemption, homestead, and all other exemptions of every kind, said property being located in Hardin County, Tennessee, and being bounded and described as follows:

BEGINNING at a magnetic nail set in the center of Marshall Road (A042), being the NE1/4 of described tract, lying on the East line of parent tract and the West line of Raymond and Dorothy Wilson (DB 47 pg 64); thence leaving Marshall Road, partway along the West line of Wilson and partway along the West line of Martha Harris (DB 27 pg 203), South 01 degrees 17' 12" West for 778.92 feet to a 24 inch oak fence corner, being the SW1/4 of described tract, the SW1/4 of Harris, lying on the North line of Roy Crunk (DB 149 pg 425); thence along the North line of Crunk, South 69 degrees 39' 54" West for 715.87 feet to an iron pin found, being the SW1/4 of described tract and the SEC of Liberty Church and Cemetery (J. B. Chalk (DB 190 pg 481)); thence along the boundary of Liberty Church and Cemetery, North 12 degrees 42' 00" West for 69.38 feet to an iron pin found, North 51 degrees 08' 16" East for 274.28 feet to an iron pin found, North 29 degrees 48' 37" West for 170.64 feet to an iron pin found, being a Northwest corner of Liberty Church and Cemetery; thence along a sewerage line, North 15 degrees 03' 48" East passing an iron pin set at 676.39 feet to an iron pin found, being the NW1/4 of described tract, thence along a sewerage line, with the center of Marshall Road, South 67 degrees 17' 04" East for 312.03 feet, South 69 degrees 02' 25" East for 100.78 feet, South 73 degrees 04' 45" East for 77.94 feet to the point of beginning and containing 11.489 acres. Subject to 30 foot wide road right of way along North side of above described property. Subject to restrictions, mineral rights and easements of record.

Lien in favor of the United States of America or the State of Tennessee: None

Other person or entities interested in this sale: None

SOURCE OF TITLE: Record Book 528 page 42, Register's Office for Hardin County, Tennessee

PROPERTY ADDRESS: 4010 Marshall Drive, Monte Chapel, Tennessee, 38561 designated as Map 48 Parcel 3 on Tax Assessor's Maps

THIS is the 14th day of May, 2014.

/s/ KEN SEATON, SUBSTITUTE TRUSTEE

KEN SEATON, ATTORNEY, 180 West Houston Avenue, P.O. Box 366

Seimer, Tennessee, 38375 (52831c)

NOTICE OF TRUSTEE'S SALE

WHEREAS, default has occurred in the performance of the covenants, terms, and conditions of a Deed of Trust Note dated April 17, 2006, and the Deed of Trust of even date securing the same, recorded April 25, 2006, at Book 405, Page 867 in Office of the Register of Deeds for Hardin County, Tennessee, executed by Jason Mathew and Lisa Mathew, conveying certain property therein described to Arnold M. Wales, Esq. as Trustee for Wells Fargo Bank, N.A.; and the undersigned, Wilson & Associates, P.L.L.C., having been appointed Successor Trustee.

NOW, THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable; and that an agent of Wilson & Associates, P.L.L.C., as Successor Trustee, by virtue of the power, duty, and authority vested in and imposed upon said Successor Trustee, on June 23, 2014, on or about 2:00 P.M., at the Hardin County Courthouse, Savannah, Tennessee, offer for sale certain property hereinafter described to the highest bidder FOR certified funds paid at the conclusion of the sale, or credit bid from a bank or other lending entity pre-approved by the successor trustee. The sale is free from all exemptions, which are expressly waived in the Deed of Trust, said property being real estate situated in Hardin County, Tennessee, and being more particularly described as follows:

Lying and being in Hardin County, Tennessee, and more particularly described as follows: Lot Number 1, Country Pines Subdivision, a plat of which appears of record in Plat Cabinet 5, Sheet 47-8, Register's Office of Hardin County, Tennessee, reference to which plat is hereby made for a more particular description of said lot showing its location and the length and direction of its boundaries.

ALSO KNOWN AS: 15.34 Weldon Lane, Savannah, Tennessee 38372-3943

The sale is subject to all matters shown on any applicable recorded plat, any unpaid taxes, any restrictive covenants, easements, or setback lines that may be applicable, any statutory rights of redemption of any governmental agency, state or federal, any prior liens or encumbrances as well as any priority created by a future filing; and to any matter that an accurate survey of the premises might disclose. In addition, the following parties may claim an interest in the above-referenced property: Jason Mathew, Lisa Mathew, SouthStar Funding, LLC, Mortgage Electronic Registration Systems, Inc. as Nominee for SouthStar Funding, LLC.

The sale held pursuant to this Notice may be rescinded at the Successor Trustee's option at any time. The right is reserved to adjourn the day of the sale to another day, time, and place without further publication, upon announcement at the time and place for the sale set forth above. W&A No. 1286-242267

DATED May 19, 2014
WILSON & ASSOCIATES, P.L.L.C.,
Successor Trustee

DSaleNoticeTN-Shellee_alucas_140519_1016

FOR SALE INFORMATION,

VISIT WWW.MYFR.COM and

WWW.REALTYTRAC.COM (52931c)

PUBLIC NOTICE

The Hardin County Cannery located in Sallisville will open for the season on Monday, June 9, 2014. The hours will be Monday through Friday from 8:00 a.m. until 12:00 noon and from 1:00 p.m. until 5:00 p.m. The facility is available to the public at no charge.

Did You Know?

Anyone Can Ride With
Southwest Human Resource Agency's
Office of Public Transportation!
We have programs that may cover your transportation fare!
Call 1-800-372-6013
to see if you qualify.
Even if you do not qualify to ride for free,
Public Transportation is affordable, good for the environment, and reduces traffic congestion on our roadways.

We provide transportation to:
Medical Facilities Kidney Dialysis
Senior Citizen Centers Job Training
Government Offices Job Sites
Shopping Facilities Everyday Errands
We have Lift-Equipped vans for those needing wheel-chair lift service.

As a State Agency, Southwest Human Resource Agency is required to be ADA compliant. Furthermore, ADA compliance is required as a condition for Federal Funding and Tennessee. We are committed to ADA standards, including the transport of passengers with oxygen tanks, service animals, and personal care attendants.

SUBSTITUTE TRUSTEE'S NOTICE OF SALE

WHEREAS, by Deed of Trust dated February 5, 2007, and of record in the Register's Office for Hardin County, Tennessee, in Record Book 433, page 827, Jason R. Slang and wife, Evelyn Slang, conveyed in Trust to John Slang, Trustee, the property hereinafter described to secure the payment of the indebtedness described in said Deed of Trust to Central Bank; and

WHEREAS, default has been made on said indebtedness, and Central Bank, as the owner and holder of the note secured by said Deed of Trust, has declared the entire balance due and payable in accordance with the terms and provisions of said Deed of Trust; and

WHEREAS, Central Bank has appointed W. Lee Lackey as Substitute Trustee by Appointment of Substitute Trustee of record in the Register's Office for Hardin County, Tennessee, in Record Book 598, page 345; and

WHEREAS, Central Bank has directed the undersigned Substitute Trustee to foreclose said Deed of Trust in accordance with the terms and provisions thereof;

NOW, THEREFORE, by virtue of the authority vested in me, I will on Monday, June 16, 2014, at 10:00 A.M., offer for sale and sell at the East door of the Courthouse in Savannah, Tennessee, to the last, highest and best bidder for cash, and in full of the statutory right of redemption, the equity of redemption, homestead, and all other exemptions of every kind which are waived in said Deed of Trust, the following described real property located, lying and being in the 4th Civil District of Hardin County, Tennessee, and being the same property conveyed to Jason R. Slang and wife by Deed of Steven Chad Perkins dated February 5, 2007, and recorded in the Register's Office for Hardin County, Tennessee, in Record Book 433, page 825, and said property is more particularly bounded and described according to said Deed as follows:

Municipality known as: 40 Turner Kyle Street, Savannah, Tennessee, being a certain bunch of lots or a tract of land consisting of five lots lying and being in the 4th Civil District of Hardin County, designated as Lot 55-59 in what is known as the Hinton Addition to the Town of Savannah, Tennessee, in the eastern part of said town, it being out of what is known as the W. J. Thomas tract of land, and which has been subdivided by C. L. Hinton, all shown in Deed Book 28, page 146, in the Register's Office of Hardin County, Tennessee, to which reference is here made for a complete description of said lots herein conveyed, and said Lots herein conveyed being in Block 62, reference is made to Map 823, Group C, Parcel 2.00.

The above described property will be sold subject to any State or County Taxes which might be due on the same, and further by any restrictions, easements, etc. which may affect said property, and this conveyance will be made subject to the same.

There are no other interested parties in the property.

Title to said property is believed to be good, but I will sell and convey only as Trustee, and not holder or otherwise. The right to adjourn the sale on the date thereof to a future date is to be announced at the time of the sale, without notice, is reserved.

This 19th day of May, 2014.

W. Lee Lackey, Substitute Trustee

W. Lee Lackey

Attorney at Law

125 Pickwick Street N.

Savannah, TN 38372

(731) 925-2535 (52831c)

NOTICE

It is the policy of the Southwest Human Resource Agency and the Tennessee Department of Transportation to ensure 42 U.S.C. 2006d "No persons in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under a program or activity receiving federal financial assistance."

NOTICE OF SEALED BIDS

The Hardin County Board of Education is requesting proposals for a replacement HVAC system for the former Senior Citizen Center located downstairs from the District Office. A site visit will be required to make a proposal. Sealed bids will be accepted at the District Office located at 155 Guinn Street, Savannah, TN 38372 until the 1:00 p.m. on Friday, June 6, 2014. The Hardin County Board of Education reserves the right to accept or reject any or all proposals

NOTICE OF INVITATION TO BID

The Hardin County Board of Education School Nutrition Program is accepting bids for produce, ice cream and large and small equipment for the Hardin County school cafeteria during the 2014-2015 school year. Complete bid instructions and specifications are available from the School Nutrition Program Department, Hardin County Board of Education, 155 Guinn Street, Savannah, TN.

Bids must be received by 1:00 p.m. on Tuesday, June 24, 2014, at the Hardin County Board of Education. Bids are to be opened at the above address on Tuesday, June 24, 2014, at 1:00 p.m. The Hardin County Board of Education reserves the right to accept or reject any or all bids. USDA is an equal opportunity provider and employer.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 56-11-2501 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. (Coram CYS) specially infusion services, owned by CYS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services and/or to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Cocke, DeKalb, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38124 with an estimated project cost to not exceed \$30,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Madison, Marshall, Maury, Montgomery, DeWitt, Putnam, Rhea, Robertson, Rutherford, Sequestria, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014.

The contact person for this project is Alex Coulter Cross, Attorney, who may be reached at Harwell Howard Hym Gabbett & Munroe, PC, 333 Commerce Street, Ste. 1600, Nashville, TN 37203, 615-252-6000.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

Andrew Jackson Building, 5th Floor

507 Deadrick Street

Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 56-11-1607(o)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTICE OF FORECLOSURE SALE

Mortgagor: JAMES POWELL and GINGER POWELL

Mortgagee/Holder: The Hardin County Bank

Date of Sale: June 23, 2014, at 12:00 PM

Location of Sale: East Door, Hardin County Courthouse

Address of Property: 225 Odle Lane, Savannah, TN 38372

Other Interested Parties: First Tennessee Bank NA, Ford Motor Credit Company LLC, Huntington College, Chase Bank

Assessor's Map: 116-1100, 116-14-01

DEFAULT: Having been made in the terms, conditions, and payment provided for in a certain note dated May 14, 2007, payable to the order of The Hardin County Bank, which note is mentioned in and secured by a certain deed of trust dated June 23, 2014, page 43, and recorded in said Register's Office, of record in record book 441, page 762, in the Register's Office of Hardin County, Tennessee, and said deed of trust having been modified by instruments recorded in record book 472, page 43, and record book 583, page 478, in said Register's Office, and said deed of trust conveying the real estate therein and hereinafter described, and which note is now due and unpaid and has been declared in default by The Hardin County Bank, the lawful owner and holder thereof.

NOW, THEREFORE, Gordon Majors, Trustee under said deed of trust, having been requested as to do by the holder and owner of the note, and by the power and authority vested in him by said deed of trust, hereby gives notice that he will on the date, time, and place listed above, sell to the highest bidder for cash said property as secured by said deeds of trust and described therein and above, which was conveyed to James Powell and spouse, Ginger Powell, by deed recorded in record book 441, page 779, in the Register's Office of Hardin County, Tennessee. Reference is made to the instruments including the deed of trust, for a complete and accurate description of said property.

Such sale will be made subject to all existing highway, roadway, and utility easements; any building and zoning regulations and restrictions; all unpaid taxes; any mechanics' and materialmen's liens; and any other matters shown in said Register's Office. This is an attempt to collect a debt, and any information obtained will be used for that purpose. Title to said property is believed to be good, but I will sell and convey said property only as Trustee.

DATED at Savannah, Tennessee, this 19th day of May, 2014.

GORDON MAJORS, Trustee

SMITH & SMITH, Attorneys for Trustee

434 Main Street

Savannah, Tennessee 38372 (52931c)

PUBLIC NOTICE

The Hardin County Board of Education will meet June 9, 2014 at 5:30 p.m. at the Educational Center, located at 155 Guinn St., Savannah, TN. The public is invited.

NOTICE

Southwest Human Resource Agency's Transportation Program is seeking Certified Disadvantaged Business Enterprises (DBE) Vendors to make purchases from or provide transportation related services.

If you are interested in receiving information on becoming a Certified DBE through the Tennessee Department of Transportation, please contact: TDOT, Civil Rights Office, DBE Program, 505 Deedrick Street, Suite 1800, Nashville, TN 37243-0347; Telephone 615-741-3681.

NOTICE

The contents of the following storage units of Clement Property Mgmt. (Clement's Warehouse) will be sold at a PRIVATE SALE after June 14, 2014 unless renters claim contents by paying in full before that date. Renters may call (731)925-9268 for further information.

Location: Geane Lane

Amy Celline Jeff Brewer
85 Pine St. 701 Lowndes Ave.
Savannah, TN 38372 Pensacola, FL 32507

Location: Airways Blvd.

Brian Beam George Haymon Jr.
150 Aurlin St. 650 Slout St.
Savannah, TN 38372 Savannah, TN 38372

Rodney Bowden Heather Maljovski
239 Guinn St. 200 Lewis St.
Savannah, TN 38372 Savannah, TN 38372

Christopher Conway Ken Nolan
243 Cypress Ave. P.O. Box 101
Seimer, TN 38375 Lookout Mountain, TN 37390

Melinda Gatlin Joyce Valencia
270 Winningham St. 220 Stout St.
Crump, TN 38327 Savannah, TN 38372

BUDGET ORDINANCE

The City of Crump will have the second and final reading of Budget Ordinance 76-2014 on June 18, 2014 at 8:00 p.m., in the Crump Community Center, at the Regular Town Meeting. AN ORDINANCE OF THE CITY OF CRUMP, TENNESSEE ADOPTING THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2014 AND ENDING JUNE 30, 2015. NOW THEREFORE BE IT ORDAINED BY THE CITY OF CRUMP AS FOLLOWS:

| CRUMP FUND REVENUE | REVENUE | Projected 2015 |
|-------------------------------------|-------------------|------------------|
| BRUG FUND REVENUE | 10,720.00 | \$10,000.00 |
| BRUG FUND BALANCE IN BANK | \$13,820.00 | 13,027.74 |
| TOTAL BRUG FUND REVENUE | \$24,540.00 | 23,027.74 |
| TOTAL BRUG FUND REVENUE | \$24,540.00 | 23,027.74 |
| SEER BRUG FUND EXPENDITURES | (11,244.74) | \$12,088.00 |
| NET INCOME / LOSS | 13,295.26 | \$10,939.74 |
| 2014-2015 | | |
| GENERAL REVENUE | Amended 2013-2014 | Projected Budget |
| TAX REVENUE | 146,000.00 | 130,750.00 |
| PERMITS/FEES/CHARGES | 1,144,025.00 | 841,125.00 |
| COURT FEES | 88,000.00 | 50,000.00 |
| OTHER REVENUES | 33,425.00 | 33,285.00 |
| GENERAL FUND BALANCE IN BANK | 85,000.00 | 17,000.00 |
| SEER PROJECTED FUND BALANCE IN BANK | 2,500.00 | 2,500.00 |
| TOTAL REVENUE PROJECTIONS | 1,492,210.00 | 1,111,120.00 |
| 2014-2015 | | |
| GENERAL EXPENDITURES | 1,132,000.00 | 826,100.00 |
| CAPITAL EXPENDITURES | 2,950.00 | 13,000.00 |
| FINANCIAL EXPENDITURES | 14,550.00 | 313,550.00 |
| POLICE EXPENDITURES | 135,160.00 | 178,100.00 |
| PUBLIC WORKS STREET & HIGHWAY | 131,600.00 | 88,750.00 |
| HEALTH, WELFARE AND RECREATION EXP | 28,015.00 | 828,000.00 |
| PROJECTED EXPENDITURES | 1,441,215.00 | \$1,147,500.00 |
| SEER PROJECTED EXPENDITURES | 1,441,215.00 | \$1,147,500.00 |
| NET INCOME / LOSS | 1,344,845.00 | \$8,120.00 |

This Ordinance shall take effect July 1, 2014, the public welfare requiring it.
First Reading approved May 15, 2014
Second Reading
Mayer Glen Spencer
City Recorder Pamela R. Hardy

SUPPLEMENTAL #1

0101742970

June 20, 2014

Affidavit of Publications 12:06 pm

Newspaper: Jackson Sun 7 Day

State Of Tennessee

**TEAR SHEET
ATTACHED**

Account Number: 310052JS

Advertiser: H3GM (HARWELL HYNE GABBERT)

RE: NOI - CVS Caremark Corporation

I, W Perry **Sales Assistant** for the

above mentioned newspaper, hereby certify that the attached
advertisement appeared in said newspaper on the following dates:

✓
6/4/2014

Subscribed and sworn to me this 6 day of June, 2014

Sela Bates
NOTARY PUBLIC



June 20, 2014

12:06 pm

Where neighbors deal with neighbors.

To place your ad visit jacksonsun.com/classifieds or call 423-0300 or 800-372-3922.

THE ACES ON BRIDGE

When two evil guys fight in a duel, the worst of both will be the winner.

—Toby Flea

Today's deal comes from a match between the duplicate and rubber bridge players at the Dyspepsia Club. Each group's members, of course, consider themselves to be the real experts, while the other group plays a corrupt version of the game with no real skill element. Thus there was considerable more at stake than the bottles of champagne that were riding on the outcome.

In the first half of the match the following deal came up, and the duplicate player at the helm considered himself unlikely to go down. In three no-trump he won the opening spade lead and played all the diamond ace from his hand, planning to cross to dummy and make a second diamond play to try to keep East off lead. As for him, West dropped the diamond jack under the king, a performance that would have been considerably more impressive, had he not been startled for the first time in his hand at the time he had played it accidentally. After the unblock, declarer was

In the other room South won the first spade and crossed to dummy with a club to run the diamond seven immediately to West. That was the end of the defense. Had East covered, declarer would have won the trick in hand, then repeated the performance by going back to the board and leading the diamond eight. The defender would have been foolish to prevent the establishment of the diamonds, while East, the danger hand, was kept off lead.

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—Toby Flea

Today's deal comes from a match between the duplicate and rubber bridge players at the Dyspepsia Club. Each group's members, of course, consider themselves to be the real experts, while the other group plays a corrupt version of the game with no real skill element. Thus there was considerable more at stake than the bottles of champagne that were riding on the outcome.

In the first half of the match the following deal came up, and the duplicate player at the helm considered himself unlikely to go down. In three no-trump he won the opening spade lead and played all the diamond ace from his hand, planning to cross to dummy and make a second diamond play to try to keep East off lead. As for him, West dropped the diamond jack under the king, a performance that would have been considerably more impressive, had he not been startled for the first time in his hand at the time he had played it accidentally. After the unblock, declarer was

In the other room South won the first spade and crossed to dummy with a club to run the diamond seven immediately to West. That was the end of the defense. Had East covered, declarer would have won the trick in hand, then repeated the performance by going back to the board and leading the diamond eight. The defender would have been foolish to prevent the establishment of the diamonds, while East, the danger hand, was kept off lead.

TODAY'S CROSSWORD PUZZLE

Sponsored by: West Tennessee Healthcare

PREVIOUS PUZZLE SOLVED

ACROSS

1. Par's mountains

2. Greek of Roman

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DOWN

1. Trail mix

2. Two-color cookie

3. Fox

4. Gets in the way

5. Messiah

6. Slightly off

7. Come — used?

8. Nefertiti's god

9. Make lace like granny

10. Dangerous

11. Barely managed

12. Cut back

13. Neophyte

14. Payche's son

15. For one

16. Outrun

17. Turn down

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NOTIFICATION OF
INTENT TO APPLY FOR A
CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton.

My Commission Expires: July 5, 2015

THE CROCKETT COUNTY TIMES

SUPPLEMENTAL #1

June 20, 2014


12:06 pm

46 W. Main, Alamo, TN 38001
(731) 696-4558 • (731) 696-4550

PROOF OF PUBLICATION

Publisher of The Crockett County Times, Alamo, Tennessee, certify that instrument was published in said paper for 1 consecutive weeks. The first 4 day of June, 2014; the second insertion on the _____ day the third being on the _____ day of _____, 2014; and the fourth day of _____, 2014. The charges of \$216.⁰⁰ are due and have

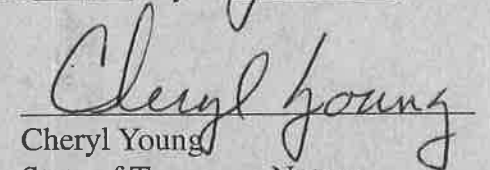
is a legal newspaper published in Crockett County. The Crockett is published each Wednesday at 46 W. Main, Alamo, TN 38001.


Dennis Richardson, Publisher

ACKNOWLEDGMENT

Cheryl Young, known (or proved to me on the basis of satisfactory evidence), who executed the foregoing instrument, and acknowledgment that he executed

at Camden, Tennessee, this the 9 day of June, 2014.


Cheryl Young
State of Tennessee Notary



STATE GAZETTE

294 US Highway 51 Bypass N.
Dyersburg, TN 38024
731-285-4091
Fax: 731-285-9747

I, Jina Jeffries, business manager of the State Gazette, a newspaper published at Dyersburg, Tennessee, hereby certify that the annexed advertisement has been published 1 consecutive/
non-consecutive days/weeks in said paper on the following
dates: 015 and that the fee of \$ 220.96
has/has not been paid.

Jina Jeffries

This 10th day of June, 2014

Shelia Rouse, Notary Public

Commission expires: February 14, 2018



DEADLINES for Display Ads
12:06 pm
 Tuesday
 Wednesday Monday 4 pm
 Thursday Tuesday 4 pm
 Friday Wednesday 4 pm
 Sunday Thursday 4 pm

We reserve the right to reject any advertisement. We are responsible only for the first insertion of an advertisement. Advertisers are advised to check their ad immediately after it appears in the paper and report it back any errors found.

[illegible]

the regularly scheduled Health Services Development Agency meeting at which the application of the decedent was scheduled; and (B) Any other person who is a party to the application must file written objection to the application with the Health Services and Development Agency at or before the consideration of the application by the Agency.

LEGAL 08-2570

CHANCERY COURT
TONY CHIDRESS
CLERK OF THE
JUDGE
DYER COUNTY

NOTICE TO CREDITORS

Civil Action No. 14-CV-229

Bill Lindy Rodgers
Notice is hereby given that the 27th day of May, 2014 letters of administration as the case may be) in the estate of Bill Lindy Rodgers, who died on 04/14/14 were issued by the undersigned by the Clerk of Dyer County, Tennessee, as personal, resident and nonresident, having no known heirs, married or unmarried, against the undersigned, who is required to file the same with the clerk of the probate court on or before the earlier of the date of publication in (1) or (2) otherwise the claims which the creditor may file within (1) (A) four (4) months from the date of publication (or posting) as the case may be) of the notice to creditors if the creditor received an actual copy of this notice less than six (6) months before the date that the notice was published (or posted) on or before the date of first publication (or posting) as described in (1) (A); or

(2) Twelve (12) months from the decedent's date of death.

This 27th day of May 2014.

Personal Representative:
Marianne Williams
322 N. Church Ave.
Dyersburg, TN 38025

Publication dates:
June 5, 2014
June 12, 2014
June 19, 2014
June 26, 2014

Clerk/Deputy:
H. Steven Murphree

LEGAL 08-2571

PROBATE COURT
JASON HUDSON
PROBATE JUDGE
DYER COUNTY

NOTICE TO CREDITORS

Civil Action No. 14-CV-230

Estate of Ruby Joyce Britt
Notice is hereby given May 29, 2014 that the undersigned (or administrator as the case may be) in the estate of Ruby Joyce Britt who died on April 23, 2014 were issued to the undersigned by the Probate Court of Dyer County, Tennessee, as all persons, resident and nonresident, married or unmarried, against the undersigned, who is

[illegible][illegible]

SUPPLEMENTAL #1

0101741538

June 20, 2014

Affidavit of Publications 12:06 pm

Newspaper: StewarHouston Times

State Of Tennessee

**TEAR SHEET
ATTACHED**

Account Number: 02451801CL

Advertiser: HARWELL HOWARD HYNE GABBERT &

RE: NOTIFICATION OF INTENT CORAM ALTERNATE S

I, V Perry **Sales Assistant** for the

above mentioned newspaper, hereby certify that the attached

advertisement appeared in said newspaper on the following dates:

✓
6/3/2014

V Perry

Subscribed and sworn to me this 5 day of June, 2014

Sela Bates
NOTARY PUBLIC



June 20, 2014

12:06 pm

PAGE 108 ♦ INDEPENDENT APPEAL

LEGALS

WEDNESDAY, JUNE 4, 2014

503 - PUBLIC NOTICES

35-5-101 ET. SEQ. HAVE BEEN MET.

THE RIGHT IS RESERVED TO ADJOURN THE DAY OF THE SALE TO ANOTHER DAY, TIME AND PLACE CERTAIN WITHOUT FURTHER PUBLICATION, UPON ANNOUNCEMENT AT THE TIME AND PLACE FOR THE SALE SET FORTH ABOVE. THE TRUSTEE/SUBSTITUTE TRUSTEE RESERVES THE RIGHT TO RESCIND THE SALE

IN THE EVENT THE HIGHEST BIDDER DOES NOT HONOR THE HIGHEST BID WITHIN 24 HOURS, THE NEXT HIGHEST BIDDER AT THE NEXT HIGHEST BID WILL BE DEEMED THE SUCCESSFUL BIDDER.

OTHER INTERESTED PARTIES: PICKWICK ELECTRIC COOPERATIVE

THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

This day, March 4, 2014. This is improved property known as 2100 SULPHUR SPRINGS RD., SELMER, TENNESSEE 38375.

J. PHILLIP JONES/JESSICA D. BINKLEY, SUBSTITUTE TRUSTEE 1800 HAYES STREET NASHVILLE, TN 37203 (615) 254-4430 www.phillipjoneslaw.com F14-0402 15713 3, 4, 5

NOTICE OF FORECLOSURE SALE STATE OF TENNESSEE, MCNAIRY COUNTY

WHEREAS, Clarence E. Webb and Barbara Webb executed a Deed of Trust to JPMorgan Chase Bank, N.A., Lender and Kathy Winstead, Trustee(s), which was dated December 18, 2008 and recorded on December 29, 2008, Book 394, Page 2382, McNairy County, Tennessee Register of Deeds.

WHEREAS, default having been made in the payment of the debt(s) and obligation(s) thereby secured by the said Deed of Trust and the current holder of said Deed of Trust, Carrington Mortgage Services, LLC, (the "Holder"), appointed the undersigned, Brock & Scott, PLLC, as Substitute Trustee, by an Instrument duly recorded in the Office of the Register of Deeds of McNairy County, Tennessee, with all the rights, powers and privileges of the original Trust-

ee named in said Deed of Trust; and

NOW, THEREFORE, notice is hereby given that the entire Indebtedness has been declared due and payable as provided in said Deed of Trust by the Holder, and that as agent for the undersigned, Brock & Scott, PLLC, Substitute Trustee, by virtue of the power and authority vested in it, will on July 1, 2014, at 2:30PM at the usual and customary location at the McNairy County Courthouse, Selmer, Tennessee, proceed to sell at public outcry to the highest and best bidder for cash, the following described property situated in McNairy County, Tennessee, to wit:

Beginning on an iron rod set, in the South right-of-way of State Highway 142, being the Northeast corner of a tract conveyed to Junlor Cody and wife, Aurelia Cody by deed recorded in Deed Book 120, Page 416 (R.O.M.C.), and the Northwest corner of the herein described tract;

Runs thence N 78 degrees 16 minutes 10 seconds East, a distance of 210.00 feet, along and with the South right-of-way of State Highway 142, being the North boundary of the herein described tract, to an iron rod set, being the Northwest corner of a tract conveyed to Linda L. Kiddy by deed recorded in Deed Book 117, Page 810 (R.O.M.C.), and the Northeast corner of the herein described tract;

Runs thence S 05 degrees 32 minutes 43 seconds West, a distance of 630.00 feet, along and generally with a fence, a portion of the way being, the West boundary of said Kiddy tract and the East boundary of the herein described tract, to a steel fence post found, being a Northeast corner of the aforementioned Cody tract, and the Southeast corner of the herein described tract;

Runs thence S 78 degrees 16 minutes 10 seconds West, a distance of 210.00 feet, along and with the North boundary of said Cody tract, being the South boundary of the herein described tract, to a steel fence post found, being the interior corner of said Cody tract; and the Southwest corner of the herein described tract;

Runs thence N 05 degrees 32 minutes 43 seconds East, a distance of 630.00 feet, along and generally with a fence, a portion of

503 - PUBLIC NOTICES

the way being, the East boundary of said Cody tract and the West boundary of the herein described tract, to the point of beginning, containing 2,900 acres of land, more or less.

Being the same property conveyed to Clarence Webb and wife, Barbara Webb by Warranty Deed dated December 18, 2008 and of record in Deed Book 210, Page 609 in the Register's Office of McNairy County, Tennessee.

Parcel ID Number: 096 015.01

Address/Description: 7903 Highway 142, Stantonville, TN 38379.

Current Owner(s): Clarence Webb and Barbara Webb.

Other Interested Party(ies): N/A

The sale of the property described above shall be subject to all matters shown on any recorded plat; any and all liens against said property for unpaid property taxes; any restrictive covenants, easements or set-back lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; a deed of trust; and any matter than an accurate survey of the premises might disclose; and

All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. The right is reserved to adjourn the day of the sale to another day, time, and place certain without further publication, upon announcement at the time and place for the sale set forth above.

This office is attempting to collect a debt. Any information obtained will be used for that purpose.

Brock & Scott, PLLC, Substitute Trustee c/o Tennessee Foreclosure Department 277 Mallory Station Road Suite 115 Franklin, TN 37067 PH: 615-550-7697 FX: 615-550-8484 File No.: 14-09736

15711 3, 4, 5

SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on July 15, 2014 at

503 - PUBLIC NOTICES

10:00 AM local time, at the center of the courthouse, McNairy County Courthouse, 170 Court Avenue, Selmer, Tennessee, pursuant to Deed of Trust executed by James E. King a married man Ellen K. King, husband and wife, to Andrew C. Rambo, Trustee, on April 20, 2009 at Deed of Trust 396, Page 249, Instrument No. 68153; and corrected by Scrivener's Affidavit recorded as Instrument Number 87621 in Miscellaneous Book 14, Page 1673; all of record in the McNairy County Register's Office.

Party entitled to enforce security interest: National Mortgage LLC, its successors and assigns

The following real estate located in McNairy County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:

Described property located in McNairy County, Tennessee, and being more particularly described in deed of record in Deed of Trust 396, Page 249, Instrument No. 68153; and corrected by Scrivener's Affidavit recorded as Instrument Number 87621 in Miscellaneous Book 14, Page 1673; In the Register's Office of McNairy County, Tennessee Parcel Number: 067-39.00 Current Owner(s) of Property: Ernie King aka James E. King and wife, Ellen King aka Ellen K. King Other interested parties: Commissioner of Revenue The street address of the above described property is believed to be 4875 Highway 64 West, Selmer, Tennessee 38375, but such address is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.

SALE IS SUBJECT TO TENANT(S) RIGHTS IN POSSESSION. Notice of this Substitute Trustee's Sale has been timely given to the State of Tennessee as required by T.C.A. § 67-1-1433(b) (1).

Terms of Sale will be public auction, for cash, free and clear of rights of homestead, redemption and dower, and the rights of James E. King a married man Ellen K. King, husband and wife, and those claiming through them, and subject to the right of redemption by the DEPARTMENT OF REVENUE, STATE OF TENNESSEE by reason of tax lien

503 - PUBLIC NOTICES

of record in Lien Book 8 Page 822 at the Register's Office of McNairy County, Tennessee, subject to any accrued taxes and restrictions.

All right of equity of redemption, statutory and otherwise, and homestead are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. If you purchase a property at the foreclosure sale, the entire purchase price is due and payable at the conclusion of the auction in the form of a certified bank check made payable to or endorsed to Shapiro & Kirsch, LLP. No personal checks will be accepted. To this end, you must bring sufficient funds to outbid the lender and any other bidders. Insufficient funds will not be accepted.

503 - PUBLIC NOTICES

Shapiro & Kirsch, LLP Substitute Trustee Law Office of Shapiro & Kirsch, LLP 555 Perkins Road Extended, Second Floor Memphis, TN 38117 Phone (901)767-5566 Fax (901)761-5690 www.kirschattorneys.com

File No. 13-051758 15710 3, 4, 5

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014. The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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Industrial chemical tank, roof and vent cleaning, carpets, concrete, sidewalks, driveways, patios, decks, vinyl, stone, brick, and gutters cleaned.

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Licensed and Insured

We Use Only Environmentally Safe Products

For Free Estimates Call or Email: Jerry Scott

STATE OF TENNESSEE, GIBSON COUNTY
AFFIDAVIT OF PUBLICATION

SUPPLEMENTAL #1

June 20, 2014

12:06 pm

h3gm

Publication of Intent

I, April Jackson solemnly swear that I am of the Humboldt Chronicle,
that the same is a newspaper published in Gibson County, Tennessee;
that a notice, of which copy is hereto appended as a part of the affidavit, was
published in said newspaper 1 consecutive week(s), the first
publication being in the issue of said paper on June 4, 2014.

April Jackson
Signature of Newspaper Representative

Sworn and subscribed to before me, this 5 day
of June 2014.

Lee Ann Butler
Notary Public

My Commission Expires 3-19-2016



NOTIFICATION OF INTENT TO APPLY FOR A
CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 *et seq.*, and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1680 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 6, 2014. The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hyne Gabbert & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of

hold registration for fall soccer on Monday, June 9, from 5-7 p.m. at Huntingdon City Hall. The cost will be \$45 per child. Games will be played at Kelley. Mt. Comfort Baptist Church is in need of donations for upkeep of the cemetery. Se Mt. Comfort Cemetery

INTY

sement

SUPPLEMENTAL #1

June 20, 2014

STATION 12:00 PM TENNESSEE

Affadavit of Publication

Personally appeared before me, Dennis Richardson, Publisher of the Carroll County News-Leader, a weekly newspaper published at Huntingdon, Tennessee who certifies that the annexed advertisement has been published in said paper 1 consecutive weeks. The first insertion thereof being on the 4 of June, 2014; second on of , 2014; third on of , 2014; fourth on of , 2014 and that the fees \$ 176.00 are due and have have not been paid.

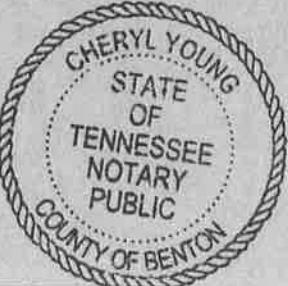
The Carroll County News-Leader is published each Wednesday in Carroll County, Tennessee, and is a legal newspaper for public notices.

Dennis Richardson
Dennis Richardson, Publisher

Sworn to and subscribed before me, this 4 day of June, 2014.

Cheryl Young
Cheryl Young, State of Tennessee
Notary

My commission expires on: July 5, 2015



**NOTIFICATION OF INTENT TO APPLY FOR A
CERTIFICATE OF NEED**

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Nashville, Tennessee 37243

The published letter of intent must contain the following information pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency.

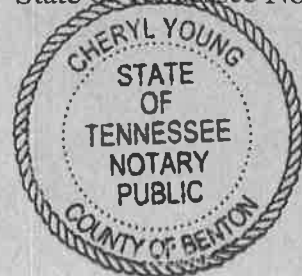
ESTIMATED EXPENDITURES & OTHER USES
Salaries
10,324,326
Total Estimated Revenues
18,907,159
Federal Government
567,431

Personally appeared before me, Cheryl Young, known (or proved to me on the basis of satisfactory evidence), to be the person described in and who executed the foregoing instrument, and acknowledgment that he executed the same as his free act and deed.

WITNESS my hand and official seal at Camden, Tennessee, this the 5 day of June, 2014.

My Commission Expires: July 5, 2015

Cheryl Young
Cheryl Young
State of Tennessee Notary



SUPPLEMENTAL #1

BENTON CHRONICLE June 20, 2014

12:06 pm

100 Main Street, Camden, TN
200 • (731)584-4943

OF PUBLICATION

Benton Chronicle, Camden, Tennessee, certify that the said paper for 1 consecutive weeks. The first 5, 2014; the second insertion on the _____ day the _____ day of _____, 2014; and the fourth 2014. The charges of \$176.00 are due and have

newspaper published in Benton County, Tennessee. The Thursday at 144 West Main Street, Camden, TN 38320.

Dennis Richardson
Dennis Richardson, Publisher

ACKNOWLEDGMENT

COPY SUPPLEMENTAL-2

**Coram Alternate Site Services
CN1406-018**



333 commerce street, suite 1500
nashville, tennessee 37201
phone: 615.256.0500 fax: 615.251.1059
h3gm.com

1
JUN 26 14 12:00
SUPPLEMENTAL

June 26, 2014

VIA HAND DELIVERY

Phillip M. Earhart
HSD Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Certificate of Need Application CN1406-018
Applicant's Response to Second Request for Supplemental Information

Dear Mr. Earhart:

We are in receipt of the Agency's Second Request for Supplemental Information. Please accept this as the Applicant's response to the same. Mr. Dell's Affidavit is attached hereto as Exhibit A.

1. Section C, Need, Item 6

The methodology of projecting 207 patients in Year One is noted. However, it remains unclear of the number of patients by therapy the applicant used in Year One and Year Two projections. Please complete the following table for Year One and Year Two projections:

| Type of Patients | Brief Description of Service | # Year One Patients | # Year Two Patients |
|------------------|---|---------------------|---------------------|
| Aralast® | Treatment for Alpha-1 antitrypsin deficiency ("Alpha-1"), chronic hereditary form of progressive emphysema. Aralast® is a Baxter Healthcare infusion therapy. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 23 | 25 |

Phillip M. Earhart

June 26, 2014

Page 2

| | | | |
|-------------------|--|-----|-----|
| Chelation Therapy | Administration of chemical binding agents, such as ethylene diamine tetraacetic acid ("EDTA"), to remove heavy metals, such as iron, lead, mercury, cadmium, and zinc from the body. Preferred therapy for Coram patients is either Desferal®, a Novartis EDTA therapy, or Defroxamine®, a Fresenius-Kabi EDTA therapy. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 1 | 1 |
| Chemotherapy | Administration of anti-cancer drugs known as anti-metabolites, which interfere with cells making DNA and RNA, stopping the growth of cancer cells. Used in many cancer treatments, colon, rectum, and head and neck cancers. Due to in-home stability, preferred therapy for Coram patients is 5-FU fluorouracil sold as Adrucil®, a Fresenius-Kabi therapy. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 0 | 0 |
| Fabrazyme® | Enzyme replacement treatment for Fabry disease, a chronic hereditary and progressive deficiency of the Alpha-GAL enzyme. Fabrazyme® is a Genzyme therapy. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 1 | 1 |
| IVIG | Intravenous immunoglobulin (IVIG) is a blood product administered intravenously. It contains the pooled, polyvalent, IgG antibodies extracted from donor plasma for the treatment of chronic immune deficiencies, autoimmune disease and acute infections. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 70 | 77 |
| IVIG subcutaneous | Intravenous immunoglobulin (IVIG) is a blood product administered subcutaneously, which means under the skin. Coram services include: Patient teaching and assessments. | 37 | 41 |
| Zemaira® | Treatment for Alpha-1 antitrypsin deficiency ("Alpha-1"), chronic hereditary form of progressive emphysema. Zemaira® is a CSL Behring therapy. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 33 | 36 |
| Non-specialty | Treatment for all other patients including TPN, Antibiotics, Hydration Therapy, Multiple Sclerosis Injections, Opiate Management, Pain Management, Antiviral, Antiemetic, Fluid Replacement, etc. Coram services include: Medication administration, patient teaching, starting and/or accessing/maintenance of IV access device and routine patient visit/assessment/vital signs and monitoring. | 42 | 47 |
| Total | | 207 | 228 |

Phillip M. Earhart
June 26, 2014
Page 3

2. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Your response is noted. However, the unused leased space allocated to the proposed home health project will need to be accounted for in the Project Costs Chart. Please revise.

The Applicant did not include leasehold expenses because it is not incurring any incremental costs associated with its use of unused space in its leasehold. Nonetheless, the Applicant has allocated a pro rata portion of the leasehold expenses to the small space that will be used and noted such on the Project Cost Chart. Please see revised chart and assumption page attached. The amount allocated to leasehold costs was shifted from administrative cost, which included \$25,000 in contingency expense.

3. Proof of Publication

The applicant provided additional copies of the publication of intent required of newspapers of general circulation in the proposed service area. However, please submit the following missing proofs of publication:

| Newspaper | Response |
|--------------------------------|---|
| Brownsville State-Graphic | Did not publish |
| Dresden Enterprise | Attached |
| Humboldt Chronicle | Attached |
| The Courier | Requested |
| The Independent Appeal | Attached |
| The Leader | Requested |
| The Lexington Progress | Tear sheet attached - Affidavit requested |
| The News Leader | Requested |
| Lake County Banner Inc. | Attached |
| The Union City Daily Messenger | Requested |

There was no publication in The Brownsville State Graphic. Affidavits have been requested for the other papers listed. Those that have been provided are attached or have been previously submitted. Some newspapers provided electronic tear sheets. Several of the newspapers have informed us that they are unable to provide affidavits at this time but will be forwarding to us as soon as possible. We will submit these upon receipt. The Commercial Appeal affidavit has been provided and is a newspaper of general circulation for all counties for which affidavits or tear sheets have not been provided including Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton and Weakley. Tenn. AG Op. 06-127 (copy attached).

Phillip M. Earhart
June 26, 2014
Page 4

With best regards,

HARWELL HOWARD HYNE
GABBERT & MANNER, P.C.

A handwritten signature in black ink, appearing to read "Alix Coulter Cross". The signature is fluid and cursive, with the first name "Alix" being the most prominent.

Alix Coulter Cross

ACC/smb


AFFIDAVIT

STATE OF COLORADO

COUNTY OF DENVER

NAME OF FACILITY: CORAM ALTERNATE SITE SERVICES, INC.

I, MICHAEL E. DELL, after first being duly sworn, state under oath that I am the Senior Vice President, General Counsel & Secretary of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith (2nd Supplemental Request), and that to the best of my knowledge, it is true, accurate, and complete.



Michael E. Dell
SVP, General Counsel & Secretary

Sworn to and subscribed before me, a Notary Public, this the 25th day of June, 2014, witness my hand at office in the County of Denver, State of Colorado.





PATRICIA V. IVANCICH
NOTARY PUBLIC

My commission expires June 12, 2015.

HF-0043

Revised 7/02

EXHIBIT A

PROJECT COST CHART

JUN 26 14 PM 12:05

A Construction and equipment acquired by purchase:

| | | |
|--|--|----------|
| 1 Architectural and Engineering Fees | | \$0 |
| 2 Legal, Administrative (Excluding CON Fee), Consultants Fee | | \$88,000 |
| 3 Acquisition of Site | | \$0 |
| 4 Preparation of Site | | \$0 |
| 5 Construction Costs | | \$0 |
| 6 Contingency Fund | | \$0 |
| 7 Fixed Equipment (not in Construction Contract) | | \$0 |
| 8 Moveable Equipment (List all equipment over \$50,000) | | \$0 |
| 9 Other | | \$0 |

B Construction and equipment acquisition by donation or lease

| | | |
|---|--|---------|
| 1 Facility (inclusive of land and building) | | \$0 |
| 2 Building Only | | \$0 |
| 3 Land Only | | \$0 |
| 4 Equipment (Specify) | | \$0 |
| 5 Other (Specify) | Prorated Allocation of Five Year Lease | \$7,000 |

C Financing Costs and Fees

| | | |
|--------------------------------------|--|-----|
| 1 Interim Financing | | \$0 |
| 2 Underwriting Costs | | \$0 |
| 3 Reserve of One Year's Debt Service | | \$0 |
| 4 Other (Specify) | | \$0 |

D Estimated Project Cost (A+B+C) \$95,000

E CON Filing Fee \$3,000

F Total Estimated Project Cost (D+E) **TOTAL** \$98,000

Project Cost Chart, Underlying Assumptions

The underlying assumptions for the Project Cost Chart on the preceding pages are summarized in the following paragraphs.

- Line A 1, Architectural and Engineering Fees: Not applicable as there is no design and construction involved in this project.
- Line A 2, Legal, Administrative, Consultants Fee: These costs represent legal, administrative and consulting associated with preparing and filing the CON application including a contingency for such costs and the home health license application fee of \$1,080. There are no pre-opening costs as the existing operations have the infrastructure necessary to add the limited home health services without the additional of any support personnel or additional physical space.
- Line A 3, Acquisition of Site: Not applicable as the service will be incorporated into the existing leased space at 1680 Century Center Parkway, Suite 12, Memphis, TN 38134.
- Line A 4, Preparation of Site: Not applicable as there is no design and construction involved in this project.
- Line A 5, Construction Costs: Not applicable as there is no design and construction involved in this project.
- Line A 6, Contingency: Not applicable as there is no design and construction involved in this project.
- Line A 7, Fixed Equipment: Not applicable as there is no design and construction involved in this project.
- Line A 8, Moveable Equipment: Not applicable as there is no addition of infrastructure to house the nurses and the infusion equipment is already owned by Coram and housed at its offices.
- Line A 9, Other: Not Applicable.
- Line B 1 through 5: Line 5 includes a prorated allocation of the home health's percent of the overall leased space, based on a five year agreement.
- Line C 1 through 4: This is not applicable as the costs of implementing the program are being funded from cash reserves.
- Line D: This is the subtotal of A, B and C above.
- Line E: This is the applicable CON application fee payable to the State of Tennessee.
- Line F: This is total project costs.

PAGE 75R

JUN 26 '14 PM 10:06

AFFIDAVIT OF PUBLICATION

STATE OF TENNESSEE
WEAKLEY COUNTY

Personally appeared before me, Ramona Washburn, a Notary Public in and for said County and State, the undersigned representative of The Dresden Enterprise, a weekly newspaper published in Dresden, Weakley County, Tennessee, who swears that the attached

Notification of Intent to Apply
was published in the issues dated

June 4, 2014
of said newspaper.

Signed

Subscribed and sworn before me this *24*Day of *June* 2014*Ramona Washburn*, Notary Public

My commission expires February 15, 2017.

NOTIFICATION OF INTENT TO APPLY
FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq. and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency, only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing challenges on central lines and external access ports, within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Parry, Shelby, Stewart, Tipton, Wayne and Weakley, from its current licensed home infusion pharmacy located at 1680 Gentry Center Parkway, Suite 12, Memphis, Tennessee, 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson and Wilson.

The anticipated filing date of the application is June 6, 2014. The contact person for this project is Alix Coulter Cross, Attorney, who may be reached at Harwell Howard Hynes Gabbert & Manner, P.C., 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

REAL ESTATE TRANSFERS

Chase Crawford to Josh B. Hazlewood - Milan
Jonathan White and wife, Debra White to Earl McAlister - Bradford
Randy Younger and wife, Linda Younger to Hannah K. Buckingham - Medina
Scott J. Tautzer and wife, Candy L. Tautzer and Terry DeBerry and wife, Holly DeBerry - Medina
Joan S. Marsh to William Dennis Jenkins and Lucy C. Narrows - 2nd CD
Anthony Ford and wife, Maria S. Ford to David W. Paschall and wife, Tammy G. Paschall - 21st CD
Thomas L. Humphreys and wife, Julia B. Humphreys to Lyle Swingler and wife, Melissa Swingler - 3rd CD
Weltermyr, LLC to Miguel Flor and wife, Milagros Flor - 13th CD

Tennessee Housing Development Agency to Althia Higgins - Medina
Jason K. Pruitt and wife, Candace L. Pruitt to Cheri D. Chiles and Kathy Diane Ross - 13th CD
Randal Eric Postouk and wife, Laurie Denise Postouk to Derek Morales and wife, Melanie Morales - Milan
Sam H. Doaks, Sr. and wife, Sandra M. Doaks to the Doaks Living Trust, Sam H. Doaks and Sandra M. Doaks, Trustees - 16th CD
Larry Caldwell to Charles Ray Connell, Jr. - 14th CD
Hale Estates, LLC to Jacob Shelton and wife, Lauren Shelton - Humboldt
Daphne V. Rayner and husband, Larry Donald Rayner, II to Corey R. Cummings and wife,

Katherine H. Cummings - Milan
Janie D. Wylie to Joshua G. Turner and Laura Jane Hedge - 8th CD
Neilson G. Sellers, Harold L. Sellers, Gerald W. Sellers, Shannon Sellers Barton and Kay Sellers to Gerald W. Sellers and wife, Hilda Sellers - 15th CD
Thomas J. Sheridan, III and wife, Sandra E. Sheridan to Charles Warlick Clerk and wife, Karen H. Clark - Medina
Gordon L. Robison to Billy D. Jones and wife, Beth L. Jones - Rutherford
Charlotte Mills Hamann and James B. Mills to Edward L. Taylor, Jr. and wife, Nita Kaler Taylor - Milan
McCallum Construction Company, Inc. to Marthe

Ann Hale Shaver - Humboldt
Kny Black Roberson, f/k/a Kay A. Black to Charles E. Roberson, Jr. - 7th CD
Lone Oak Holdings, LLC to Hudson Harrison - Humboldt
Russell D. Vandiver and wife, Kristin Vandiver to Charles Adam Lee Cantrell and wife, Carrie Ellen Cantrell - 2nd CD
Joshua W. Cooper and wife, Jennifer M. Cooper to John C. McCurdy and wife,

Leslie A. McCurdy - 21st CD
Howard G. Jewell and Philip Jewell to Deborah Guff - Rutherford
Marion McCurdy to Henry A. Burch and wife, Regina L. Burch - Trenton
Janie D. Somers to The Andersons, Inc. - Dyer
Marion McCurdy to Henry A. Burch and wife, Regina L. Burch - Trenton
Lynda Cline and Angela Bowden to Richard L. Wynne - Humboldt

PUBLIC NOTICES

NWTDD/NWTHRA MEETING NOTICE

The Northwest Tennessee Development District Executive Committee and Northwest Tennessee Human Resource Agency Policy Council will meet in regular session at 10:00 a.m. on Friday June 27, 2014; at Northwest Tennessee Development District and Human Resource Agency conference room located at 124 Weldon Drive, Martin, TN 38237.

NOTICES

Haren Construction Company, Inc.

is seeking qualified

Minority/Women Owned Business Enterprises

for construction of the WWTP Pumping Station and Force Main and Sewer Rehabilitation project in Humboldt, TN.

Subcontractor and supplier opportunities include but not limited to:

- Dirt Hauling
- Electrical.

Quotes received by E.O.B. June 16, 2014. Please contact Courtney Osborne at (423) 263-5561 for information.

NOTICES

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HUMBOLDT POLICE REPORT

from page 10

Arresting officer: Ptl. C. Davis.

Hayes, Antonio Keno, 32, of Humboldt; Arrest date and location: 05/27/2014, East End Drive and Dungan Street; Charges: criminal impersonation. Arresting officer: Ptl. Wedgworth.

Hayes, Sean Edward, 29, of Humboldt; Arrest date and location: 05/31/2014, HPD. Charges: domestic assault. Arresting officer: Ptl. Wedgworth.

Hilonga, Sepina Latanya, 29, of Humboldt; Arrest date and location: 05/27/2014, 1510 Maple Street; Charges: domestic assault. Arresting officer: CDO1.

Jennings, Nakita Nicole, 35, of Humboldt; Arrest date and location: 05/27/2014, 1602 Elm Street; Charges: domestic assault. Arresting officer: Ptl. Rich.

McCurry, Cordarius Demarcus, 22, of Humboldt; Arrest date and location:

05/31/2014, 16th Avenue and Vine Street; Charges: picked up for other agency. Arresting officer: Ptl. P. Griffin.

Miller, Kimberly Nicole, 23, of Humboldt; Arrest date and location: 05/31/2014, 49 Vance Street; Charges: domestic assault. Arresting officer: Ptl. Hill.

NOTICES

IN THE CHANCERY COURT OF GIBSON COUNTY AT HUMBOLDT

NOTICE

TO: FRANCISCO JAVIER MORALES DELA

RE: ROSA MORALES VS. FRANCISCO JAVIER MORALES DELA

WHEREAS, the above captioned case is pending in the Chancery Court of Gibson County, Tennessee, and the parties have agreed to the following terms of settlement:

1. The parties have agreed to the following terms of settlement:

2. The parties have agreed to the following terms of settlement:

3. The parties have agreed to the following terms of settlement:

4. The parties have agreed to the following terms of settlement:

5. The parties have agreed to the following terms of settlement:

6. The parties have agreed to the following terms of settlement:

7. The parties have agreed to the following terms of settlement:

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11. The parties have agreed to the following terms of settlement:

12. The parties have agreed to the following terms of settlement:

13. The parties have agreed to the following terms of settlement:

14. The parties have agreed to the following terms of settlement:

15. The parties have agreed to the following terms of settlement:

16. The parties have agreed to the following terms of settlement:

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NEED SOME EXTRA CASH?
SELL THOSE UNWANTED ITEMS
WITH A CLASSIFIED AD!
CALL 784-2531 FOR DETAILS!

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Announcements

CITYWIDE YARD SALE, Collins, TN, alongside Dale Hollow Lake June 6-7, 7-8 each day, household clothing, antiques etc. 9:00-100 Countryside Square, Collins, TN for details

Divorce Services

DIVORCE WITH OR WITHOUT children \$125.00 includes name change and property settlement agreement. SAVE hundreds. Fast and easy. Call 1-888-733-1165, 24/7

Farm Equipment

OUR SPORTSMEN WILL PAY Top \$55 To hunt your land. Call for a Free Exam Camp Leasing info packet & Quote. 1-866-308-1507 www.BassCampLeasing.com

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MILAN EXPRESS DRIVING ACADEMY "Student Loans & Placement Assistance Available" "Qualified Applicants" Approved for Veterans Training 1-800-945-2098 www.milanexpress.com/drivingacademy 330 E.L. Morgan Dr. Jackson, TN 38203

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McNairy County Publishing Co.
Publishers of

Independent Appeal

111 North Second/P.O. Box 220/Selmer, Tennessee 38375/Telephone 731-645-5346

PUBLISHER'S CERTIFICATE

STATE OF TENNESSEE, McNairy County

I **Janet Rail**

of the Independent Appeal make oath in due form that the notice hereto attached
in the case of Intent to Apply for a certificate of need -
Health Services and Development Agency.

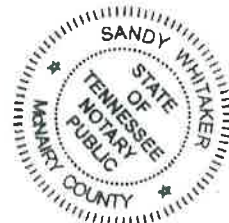
has been published in said paper for 1 consecutive weeks, as
required by law. The publication dates were as follows: _____

June 4, 2014

Janet Rail

Sworn to and subscribed before me this 26th day of June, 2014.

Sandy Whitaker
My Commission Expires Dec. 20, 2014
Publishers Fee \$8.00



The legal notice was published online at <http://www.independentappeal.com/publicnotices-cms-1437> and will be viewable during the duration of the run dates listed and will be published permanently with tnpublicnotice.com. This publication fully complies with Tennessee Code Annotated 1-3-120.

Vanderbilt Allergist Offers Tips On Managing Allergies During Spring Cleaning

There's a place for everything, and everything in its place. As people across the country put this adage into action with spring cleaning, an allergist at Vanderbilt's Asthma, Sinus and Allergy Program (ASAP) Clinic says it's important to remember that when putting everything in its place, many housecleaners are likely to stir up the dust and dander winter left behind—and both can pose significant issues for allergy sufferers.

"Dust mite and pet dander allergies are two of the more common ones that we see in our clinic," said Robert Valet, M.D., assistant professor of Medicine. "While they don't generally cause the severe reactions we can see in people allergic to bee stings, floods or latex, they can still cause a great deal of discomfort for those who are allergic."

The American Academy of Allergy, Asthma and Immunology (AAAAI) estimates that up to 27 percent of Americans demonstrate sensitivity to dust mites. The Asthma and Allergy Foundation of America (AAFA) notes that up to 30 percent of Americans have allergic reactions to cats and dogs. Additionally, cat allergies are approximately twice as common as dog allergies and affect nearly 10 million pet owners in the United States.

An allergy to dust is actually caused by the dust mite, a very small and translucent pest barely visible to the human eye. They prefer warm and humid climates and tend to reside in mattresses, upholstered furniture, bedding and carpets, places where human exposure to the insect occurs regularly.

Valet said dust mites primarily feed on dead skin cells from both animals and humans. In fact, he says, it is estimated that one human sheds enough skin cells in a single day to feed 1 million of the mites. The dust mite digests this food and the excrement contains proteins which become trapped in dust. These are the primary allergens that cause symptoms.

In contrast, says Valet, allergies to pet dander are caused by proteins found in pet dander, urine and saliva. Valet notes that dogs that naturally don't grow hair are sometimes considered hypoallergenic; this is a common misconception because even though there is no hair for the dander to latch onto, the skin will still shed the allergen-containing dander. Because there is a lot of variability between individual cats and dogs even within one breed, choosing a breed thought to be hypoallergenic does not mean that the particular pet will not produce high levels of allergens.

While they have differing underlying causes, those allergic to dust mites and pet dander tend to experience similar symptoms. Valet says that common reactions include red, itchy and watery eyes; sneezing; coughing; congestion; and a runny, itchy nose. In some cases patients may also experience skin rashes like eczema or hives. Valet stresses that exposure to both pet dander and dust mite allergens can exacerbate the symptoms of those with asthma, occasionally leading to severe asthma attacks.

Both dust mite allergies and pet allergies are treatable, says Valet. For those with dust mite allergies, treatment strategies first focus on limiting exposure to dust.

Valet recommends: When cleaning, wearing a mask similar to the ones used in construction and woodworking—these can be found at many hardware stores and the most protective are of the N-95 grade;

Vacuuming the dust off of your carpets, your upholstered furniture and your bedroom once or twice a week;

After vacuuming, allow dust to settle for 15 minutes and then dust hard surfaces;

Purchasing dust mite covers for bedding—these are woven, allergen-proof covers commonly available at retailers and drugstores that go over your pillows and mattress, containing the dust mites;

Purchasing HEPA air filters, which help lower the dust being circulated around the home;

Washing your bedding in very hot water, as dust mites cannot survive high temperatures, and drying on high heat as well.

Treatments for pet dander allergies also involve prevention. Valet notes that the best way to avoid an allergic reaction to pet dander is to avoid pets. However, if there is a pet in the household, he suggests:

Keeping the pet out of the bedroom, where people typically spend the most time at home;

Keeping the pet off upholstered furniture;

Having someone who is not allergic to pets brush the animal outside a few times a week, to try and remove excess dander; bathing the pet weekly; vacuuming regularly; removing carpets and rugs, which trap pet dander; trying over-the-counter antihistamines and other allergy medications.

"Pets and dust can be very important triggers for patients' allergies and asthma, and while they most frequently cause relatively mild symptoms, when they become severe it is important to come in and see an allergist," Valet said. "An allergist can conduct allergy testing, which allows the doctor to pinpoint the specific allergen that's causing symptoms. They can then create a course of treatment beyond what would be available over-the-counter in a drugstore, such as administering allergy shots to desensitize a patient to a certain allergen."

PUBLICATION NOTICE
IN THE CHANCERY
COURT OF HENDERSON
COUNTY, TENNESSEE:
BRENDAN ELLIOTT
ROSAS, PLAINTIFF, VS
JOSE ISRAEL ROSAS,
DEFENDANT, DOCKET NO.
28454.

To: Jose Israel Rosas
In this Cause, it appearing from the Complaint which is sworn to, that the whereabouts of the Defendant, JOSE ISRAEL ROSAS, is unknown and cannot be ascertained by the diligent search and inquiry made to that end, JOSE ISRAEL ROSAS is therefore, hereby, required to appear and Answer the

Complaint filed in this Cause against him in the Chancery Court of HENDERSON County, Tennessee, within thirty days of the last publication of this Notice and served a copy of Answer on Howard F. Douglas, P.O. Box 39, Lexington, TN, 38351, Attorney for Plaintiff, within said time. If you fail to do so judgment by default will be taken against you for relief demanded in the Complaint at hearing of the cause without further notice.

It is further Ordered that this Notice be published for four consecutive weeks in The Lexington Progress.

This the 2nd day of June,

2014.

Leigh Millam
Clerk and Master
SW(414: N62574: pd)File

YOU'VE GOT IT.

Somebody else wants it!

Lexington Progress

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §§ 68-11-3601 et seq., and the Rules of the Health Services and Development Agency, that Coram Alternate Site Services, Inc. d/b/a Coram CVS/ specialty Infusion Services, owned by CVS Caremark Corporation, with an ownership type of for profit corporation to be self-managed, intends to file an application for a Certificate of Need for the establishment of a limited service home health agency only to provide and administer home infusion products and related infusion nursing services ancillary to its pharmacy services, by way of example and not limitation, line maintenance, infusion equipment repair and replacement, and dressing changes on central lines and external access ports within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Houston, Lake, Lauderdale, Madison, McNairy, Obion, Perry, Shelby, Stewart, Tipton, Wayne, and Weakley, from its current licensed home infusion pharmacy located at 1880 Century Center Parkway, Suite 12, Memphis, Tennessee 38134 with an estimated project cost to not exceed \$98,000. Coram Alternate Site Services, Inc. is currently licensed in the following counties: Bedford, Bledsoe, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hamilton, Hickman, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marion, Marshall, Maury, Montgomery, Overton, Putnam, Rhea, Robertson, Rutherford, Sequatchie, Smith, Sumner, Trousdale, Warren, White, Williamson, and Wilson.

The anticipated filing date of the application is June 8, 2014.

The contact person for this project is Alix Coulter Cream, Attorney, who may be reached at Howell Howard Hyatt Gabbett & Manner PC, 333 Commerce Street, Ste. 1500, Nashville, TN 37201, 615/256-0500.

Upon written request by interested parties a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
602 Deaderick Street
Nashville, Tennessee 37243

The published letter of intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

N06042014

CONCURRENT NOTICE NOTICE OF FINDING OF NO SIGNIFICANT IMPACT AND NOTICE OF INTENT TO REQUEST RELEASE OF FUNDS

June 4, 2014
City of Lexington
33 First Street, Lexington, TN 38351
731-968-0657

These notices shall satisfy two separate but related procedural requirements for activities to be undertaken by the City of Lexington.

REQUEST FOR RELEASE OF FUNDS

On or about June 20, 2014, the City of Lexington will submit a request to the Department of Economic and Community Development for the release of Title I of the Housing and Community Development act of 1974, as amended, to undertake a project known as the Lexington Sewer System Improvements Project for the purpose of replacement of 5,800 feet of sewer main and rehabilitation of manholes along the sewer line with an estimated funding of \$823,300 in the midtown area of the City of Lexington.

FINDING OF NO SIGNIFICANT IMPACT

The City of Lexington has determined that the project will have no significant impact on the human environment, therefore, an Environmental Impact Statement under the National Environmental Policy Act of 1969 (NEPA) is not required. Additional project information is contained in the Environmental Review Record (ERR) on file at the Lexington City Hall in Lexington, TN and may be examined or copied weekdays, 9:00 a.m. to 4:00 p.m.

PUBLIC COMMENTS

Any individual, group, or agency disagreeing with this determination or wishing to comment on the project may submit written comments to the Mayor's Office. All comments received by June 13, 2014 will be considered by the City of Lexington prior to authorizing submission of a request to release of funds. Comments should specify which Notice they are addressing.

RELEASE OF FUNDS

The City of Lexington certifies to the Tennessee Department of Economic and Community Development that David Jowers, in his capacity as Mayor consents to accept the jurisdiction of the Federal Courts if an action is brought to enforce responsibilities in relation to the environmental review process and that these responsibilities have been satisfied. The Tennessee Department of Economic and Community Development (ECD) approval of the certification satisfies its responsibilities under NEPA and related laws and authorities.

OBJECTIONS TO RELEASE OF FUNDS

The Tennessee Department of Economic and Community Development will accept objections to its release of funds and the City of Lexington's certification for a period of fifteen days following the anticipated submission date or its actual receipt of the request (whichever is later) only if they are on one of the following basis:

- The certification was not executed by the Certifying Officer of the City of Lexington;
- The City of Lexington has omitted a step or failed to make a decision or finding required by HUD regulations at 24 CFR Part 58;
- The grant recipient has committed funds or incurred costs not authorized by 24 CFR Part 58 before approval of a release of funds by the Tennessee Department of Economic and Community Development; or
- Another Federal agency acting pursuant to 40 CFR Part 1504 has submitted a written finding that the project is unsatisfactory from the standpoint of environmental quality.

Objections must be prepared and submitted in accordance with the required procedures (24 CFR Part 58) and shall be addressed to the State of Tennessee, Department of Economic and Community Development, Program Management, William R. Snodgrass Tennessee Tower, 10th Floor, 312 Rosa Parks Avenue, Nashville, Tennessee 37243-1102. Potential objectors should contact the Program Management Office to verify the actual last day of the objection period.

David Jowers
Mayor of Lexington
N06042014C

BANKRUPTCY

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N06042014C

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For Medicare beneficiaries, the Annual Election Period is the time to review, and if necessary, change Medicare Health Plans and/or Prescription Drug Plans.

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Male 70..... F Plan..... \$139.33 monthly

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Female 75..... F Plan..... \$151.35 monthly

F Plan pays 100% & NO Deductible

Linda Bobbitt, FIC • 731-968-0680

N06042014C

PROOF OF PUBLICATION

Lake County Banner

Tiptonville, Tennessee

The State of Tennessee
Lake County

Printer's Fee \$ _____

Personally appeared before me

Tabitha Whitson

a Notary Public in and for said County and State

Lake Co, Tennessee

who after being duly sworn, deposes, and says that he is the editor of the THE LAKE COUNTY BANNER, a newspaper published weekly in the town of Tiptonville, in said County and State, and that the

Publication of Intent -

James Howard, Lynn Sabbutz, Mary

a true copy of which is hereto attached, was published _____ consecutive weeks in said newspaper, as follows:

VOLUME

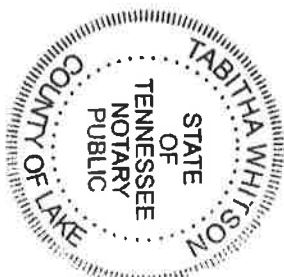
NO.

DATE

#91

#23

6-4-14



Dennis Richardson
Publisher's signature

Sworn to and subscribed before me this 25th

day of June, 20 14

Tabitha Whitson
Notary's signature

My commission expires on the 28th day of

May, 20 17.

This legal notice was published online at www.lakecounty-banner.com and www.publicnoticereads.com during the duration of the run dates. This publication fully complies with Tennessee Code Annotated 1/3/120.

COURT REPORT

Lake County Circuit Court & General Sessions

(KEY TO LEGAL ABBREVIATIONS:

GP-Guilty Plea;

FAC-Formal Arraignment Conducted;

DL-Driving License;

DUI-Driving Under Influence; DOSL-Driving on Suspended License;

AAF-Administrative Attorney Fee; FAW-Formal Arraignment Waived;

FTA-Failure To Appear; PWI-Possession With Intent; Nolle Prosequi-Charge

Dropped; DORI-Driving on Revoked License;

DDS-Defensive Driving School; PD-Public Defender; PDA-Public

Defender Appointed; Arr-Arraignment;

CC-Clerk Can Receive;

MMF-Minimum Monthly Payment; PV-Probation

Violation)

Lake County Circuit Court May 27, 2014

Court Reporter Vickie Stover

Appearances

—Aaron Bartlett, CT. 1

DUI 5th offense, CT. 2

violation implied consent, CT. 3

DORI 4th offense, PD apptd., CT. 1

GP 2, years sup. to time served

with balance of 1 year & 6

months on supervised proba-

tion, defendants drivers

license is susp. for 8 years,

CT. 2 & CT. 3 dismissed.

—George Matthews, CT. 1

PWI marijuana in excess of 1/2 oz., CT. 2

attempt to intro. contraband

into a penal facility, CT. 3

attempt to intro. contraband

into a penal facility, Boyd

retained, trial 9/17/14 at

8:45 A.M.

—Rikki Rudt, CT. 1

PWI marijuana in excess of 1/2 oz., CT. 2

attempt to intro. contraband

into a penal facility, CT. 3

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penal facility, PD apptd.,

trial 9/17/14 at 8:45 A.M.

—Wayne Bush, CT. 1

theft over \$1,000, CT. 2

forgery, trial 9/14 at 8:45

A.M., CT. 1 DORI, CT. 2

simple possession of methadone,

App. 9/13/14 at 8:45 A.M.,

PD apptd.

—David Deason, CT. 1

Agg. assault, CT. 2 Agg.

assault, CT. 3 domestic

assault, PD apptd., App.

6/24/14 at 9:00 A.M.

—Latonya Johnson, (D.

O.B. 3-10-77) CT. 1 intro.

contraband into a penal

inst., CT. 2 poss. of contra-

band into a penal inst., CT.

3 conspiracy to intro. con-

traband into a penal inst.,

CT. 4 PWI marijuana over

1/2 oz., PD apptd., made

\$7,500 bond on 1/23/14,

App. 7/22/14 at 9:00 A.M.

—Michael L. Moore (D.

O.B. 06/03/73) Troy, TN,

CT. 1 violation motor ve-

hicle offender, CT. 1 GP 2,

years TDOS after serving

120 days in Lake County jail

with balance of 1 year and 8

months on sup. probation,

conc. with CT. 2 LC 9950,

CT. 2 DUI 3rd offense, CT.

2 11/29 after serving 120

days in Lake County jail

with balance of 3 months on

sup. probation, conc. with

CT. 1 LC 9950, defendants

DL susp. for 5 years, PD

apptd., made \$2,000 bond

on 9/16/13.

—John Paul Penning-

ton, Agg. assault, PD ap-

ptd., App. 6/24/14 at 9:00

A.M., made \$9,000 bond on

12/23/13.

—Robert Spicer, felony

failure to appear, PD ap-

ptd., no bond, App. 8/25/14

at 1:00 P.M.

—Jeffery Swift, CT. 1

burglary of motor ve-

hicle, CT. 2 theft under

\$500, Boyd retained, App.

7/21/14 at 1:00 P.M., made

\$2,000 bond on 2/6/14.

—Hunter Brett Wherry,

CT. 1 burglary, CT. 2 van-

dalism over \$1,000, CT.

3 theft over \$1,000, Boyd

retained, App. 6/24/14 at

9:00 A.M., bond \$10,000.

—Michael Lynn Parker,

CT. 1 burglary, CT. 2 van-

dalism over \$1,000, CT. 3

theft over \$1,000, PD ap-

ptd., App. 6/23/14 at 1:00

P.M., made \$3,000 bond on

1/23/14.

—Sandy Jackson Jr.,

probation violation, PD ap-

ptd., AAF \$50, PDC \$150,

App. 6/24/14 at 9:00 A.M.

—Matt Evans, petition

to terminate judicial di-

version, PD apptd., AAF

\$50, PDC \$150, hearing

6/23/14.

—Jackie Johnson II,

probation violation, PD

apptd., AAF \$50, App.

6/24/14 at 9:00 A.M.

—Sheneka Kimble, pro-

bation violation, PD apptd.,

AAF \$50, App. 6/24/14 at

9:00 A.M.

—Samantha Walker,

probation violation, PD

apptd., AAF \$50, hearing

6/23/14 at 1:00 P.M.

—Krystal Rivers, proba-

tion violation, App. 6/23/14

at 1:00 P.M.

—Larry Belt, probation

violation, PD apptd., AAF

\$50, PDC \$100, hearing

6/23/14 at 9:00 A.M.

—Robert Austin Prince,

probation violation (two

counts), PD apptd., AAF

\$50, App. 7/21/14 at 1:00

P.M.

—Lashanda Michelle

Johnson, theft of services

between \$1,000 and \$10,000,

FAC, App. 6/26/14.

—Alicia Kitchen, as-

sault, FAC, Marty Howie

apptd., AAF \$50, App.

6/5/14.

—Corey Lucius, cus-

todial interference, Agg.

criminal littering (App.),

FAC, prelim. 6/5/14, 4-

ter pickup 5/31/14 at 8:00

A.M., status 6/23/14.

—Treon McElrath,

speeding 2/40, FAC,

DDS 6/26/14.

—Cassandra Mosier,

assault, FAC, continue 1

year, pay cost, abide by

restraining order, App.

5/28/15.

—Eddie Patterson, no

probation.

—Review Regarding Res-

titution Payments

—Kim Keeling, theft

over \$60,000, Hayes re-

tained, status 11/24/14 at

1:00 P.M.

—Notice to Creditors

NOTICE TO CREDITORS

IN THE PROBATE COURT

OF LAKE COUNTY, TEN-

NESSEE

ESTATE OF EMMA JEAN

WYATT, DECEASED OF

LAKE COUNTY, TENNES-

SEE

CIVIL ACTION NO.

1468112

Notice is hereby given that

on the 16th day of May, 2014,

Letters of ADMINISTRATION

in respect of the estate of

EMMA JEAN WYATT,

deceased, were issued to

the undersigned by the clerk

of the Probate Court of Lake

County, Tennessee.

All persons, resident and

non-resident, having claims,

matured or unmatured,

against her estate are re-

quired by law, to file the same

with the Clerk of the above

named Court within four (4)

months from the date of the

first publication of this notice,

otherwise, their claims will be

forever barred.

This 16th day of May,

2014.

Signed, Rhonda Battee,

Administrator

Danny H. Goodman, Jr.,

Attorney for Estate

216 S-28, 6-4p

1:00 P.M.

Lake General Sessions

May 29, 2014 Judge

Danny Goodman Jr.

Arraignment

—Melissa Bedwell,

speeding 72/55, FAC,

STATE OF TENNESSEE
OFFICE OF THE
ATTORNEY GENERAL
PO BOX 20207
NASHVILLE, TENNESSEE 37202

August 4, 2006

Opinion No. 06-127

Newspaper of General Circulation: The Commercial Appeal

QUESTION

Whether the Commercial Appeal, which has been published since 1840, qualifies as a "newspaper" or "newspaper of general circulation" for purposes of publication of official notices within the following Tennessee counties: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton and Weakley.

OPINION

The Commercial Appeal qualifies as a "newspaper" or "newspaper of general circulation" for purposes of publication of official notices in all counties listed above, with the possible exceptions of Benton, Decatur and Henderson counties where the Commercial Appeal's availability is so limited that it may not be available in all parts of the county, as required by law.

ANALYSIS

With the exception of a definition in the Election Code, Tenn. Code Ann. §§ 2-1-101, *et seq.*, the terms "newspaper" and "newspaper of general circulation" are not defined in state statutes that require publication of official notices in a "newspaper" or "newspaper of general circulation." Op. Tenn. Att'y Gen. 00-160 (October 17, 2000). The Election Code, however, does define the term "newspaper of general circulation" and lists the requirements for meeting that definition. The publication must bear a title or name, be regularly issued at least as frequently as once a week for a definite price, and have a second-class mailing privilege. It must be not less than four pages, be published continuously during the immediately preceding one-year period, and be published for the dissemination of news of general interest. Finally, it must be circulated generally in the political subdivision in which it is published and in which notice is to be given. Tenn. Code Ann. § 2-1-104(a)(13).

With respect to the statutes in which the terms "newspaper" or "newspaper of general circulation" are not defined, three criteria have been established in order for a publication to satisfy the requirements of those various statutes. First, the publication should be available in all parts of

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the county. Second, it should be published at least weekly. Third, it should contain news of general interest to the public. Op. Tenn. Att'y Gen. 04-064 (April 15, 2004).

These criteria are supported by the case of *Cook v. McCullough*, 1989 WL 155926 (Tenn. App. December 29, 1989); *p.t.a. denied* (1990). In that case, the Court of Appeals determined that The Nashville Record was a proper newspaper for purposes of Tenn. Code Ann. § 67-5-2502. The Court stated:

The Nashville Record is a "newspaper" within the sense of the applicable statute. It is published weekly. It is intended for circulation among the general public. It contains matters of general interest. It is in the form of a newspaper.

Cook v. McCullough, 1989 WL 155926 at 8.

We have looked at the May 10, 2006, issue of the Commercial Appeal ("issue" or "the paper"). Based on this issue, this Office notes that the Commercial Appeal is in a newspaper format with six multi-page sections: front page, local news, business, food, sports and classified advertisements. It is published in Memphis and is issued daily, at a single copy price of fifty cents (50¢) or a four-week subscription period price of \$17.25. The issue does not state the publication's founding date but states on its masthead, "166th Year."

The Commercial Appeal contains local, state, national and international news. Examples from the May 10 issue are these front page headlines: "Monster Truck," "Businesses Desperate as Crime Soars," "Parks Budget Closes Golf Course, 4 Pools," "Iranian's Sermon to Bush," "Hundreds of Schools Wipe Slate," and "Too Much Love for Majestic Orcas." The issue also includes display advertisements. The paper contains, then, news of general interest.

Information on page 2 of the May 10 issue shows that the Commercial Appeal is distributed to subscribers through home delivery and by mail, using "periodical postage" rates.¹ The paper is also available for single-copy purchase at multiple locations in eighteen (18) counties: Carroll, Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henry, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton and Weakley. Thus, the newspaper is intended for circulation among the general public, and based upon multiple single-copy purchase locations, should be available throughout the counties.

The Commercial Appeal's limited availability in Benton, Decatur and Henderson counties may mean that the newspaper may not be available throughout the county, as required by statute and case law. Benton County has three single purchase locations, all in the central part of the county. Because, however, Benton County has few cities, it may be that the three locations are sufficient. Decatur County has one single-copy purchase location, in Parsons. Decatur County has a population

¹ This Office has previously noted that "periodical postage" rate is the equivalent of "second class mailing privilege." Op. Tenn. Att'y Gen. 04-011 (February 3, 2004) at fn.1.

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of 11,629; Parsons' population is 2503.² Thus, Decatur County may have less than county-wide availability. Henderson County has three single-copy purchase locations, all in the Lexington area. Henderson County has a population of 25,733; Lexington has a population of 7393. Thus, Henderson County also may have insufficient countywide availability. This Office concludes that the question of whether the Commercial Appeal is available throughout these three counties for the purpose of publishing official notices is debatable.

Based on information you provided and on information gleaned from the May 10 issue, this Office has determined that the Commercial Appeal meets the general and statutory definitions of "newspaper" and/or "newspaper of general circulation" for purposes of publication of official notices in all counties listed in your question, with the possible exceptions of Benton, Decatur and Henderson.

PAUL G. SUMMERS
Attorney General

MICHAEL E. MOORE
Solicitor General

KATE EYLER
Deputy Attorney General

Requested by:

The Honorable Mark Norris
State Senator
304 War Memorial Bldg.
Nashville, TN 37243

²All population figures used in this opinion come from the Tennessee Blue Book. See <http://Tennessee.gov/sos/bluebook>.